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1. 81% **Is the Agency-Quote Proposal Plausible?: Buyside and Sellside Say It's Only an Interim Step.** ☑
O'Reilly, Michael L. • *Traders* • 02/01/99 • 5 pages (1500 words) • SUMMARY
Most traders want to level the proverbial playing field on Nasdaq. Only no one can agree on how

2. 71% **NASD: NASD board approves agency quote proposal and interim approachto SOES/SelectNet integration.** ☑
M2 Presswire • 12/14/98 • 4 pages (890 words) • SUMMARY
Washington, D.C. -- The National Association of Securities Dealers, Inc. (NASD), today announced

3. 54% **I'm from the government-please help me.(Web stores and government business)(Government Activity)(Column)** ☐
Arquette, Brett • *PC Week* • 11/22/99 • 3 pages (690 words) • SUMMARY
Is your web store ready for government

4. 50% **The effect of the SEC's order-handling rules on NASDAQ. (Securities and Exchange Commission; National Association of Security Dealers Automated Quotation)** ☐
Van Ness, Bonnie F.; Van Ness, Robert A.; McInish, Thomas H. • *Journal of Financial Research* • 09/01/98 • 9 pages (2300 words) • SUMMARY
As a result of two academic studies (Christie and Schultz (1994) and Christie, Harris, and Schultz (1994)), on January 20, 1997, the National Association of Security Dealers Automated Quotation (NASDAQ) system began a phased implementation of new Securities and Exchange Commission (SEC) order-handling rules designed to increase the access of individuals to the NASDAQ market and to reduce individuals' transactions costs.

5. 49% **Locked and Crossed Markets.** ☑
Traders • 05/01/99 • 7 pages (2000 words) • SUMMARY
Locked and crossed markets are a reality of Nasdaq trading. They always have

6. 48% **Research Results Published After Comprehensive Survey by the A.I.A.** ☐
Business Wire • 10/14/98 • 2 pages (340 words) • SUMMARY
DENVER--(BUSINESS WIRE)--Oct. 14, 1998--The Association for Investor Assistance will publish

7. 47% **A.I.A. to Publish Comprehensive Results of Company Research and 'Blind Audit'.** ☐
Business Wire • 10/27/98 • 3 pages (450 words) • SUMMARY
DENVER--(BUSINESS WIRE)--Oct. 27, 1998--The Association for Investor Assistance (A.I.A.), a not

8. 47% **An empirical examination of the Nasdaq/CHX dual-trading experiment.(National Association of Securities Dealers Market System; Chicago Stock Exchange)** ☐
Van Ness, Bonnie F.; Van Ness, Robert A.; Pruitt, Stephen W. • *The Financial Review* • 08/01/99 • 16 pages (4400 words) • SUMMARY
The purpose of this study is to advance the understanding of the influences of market structure on prices trading costs and volatility.

9. 46% **Comeback for NASD's Limit-Order Book? Zarb's Comment Revives Hopes, Concerns About Proposal.** ☐
Hoffman, William • *Traders* • 05/01/99 • 4 pages (970 words) • SUMMARY
Less than a year after the proposal died in a hail of criticism from market makers and other opponents, National Association of Securities Dealers Chairman Frank Zarb revived with one remark the idea that the NASD create a consolidated limit-order book.

10. 46% **The Two IPOs of the Century?: The Two IPOs of the Century?** ☐
Hoffman, William • *Traders* • 08/01/99 • 5 pages (1400 words) • SUMMARY
The New York Stock Exchange is looking to go public, a move that comes just a few weeks after Nasdaq said it might do the same thing.

11. 46% **SEC TELLS OPTIONS MARTS TO SORT OUT QUOTE TRAFFIC MESS.**
Wall Street Letter • 09/20/99 • 3 pages (540 words) • SUMMARY
The Securities and Exchange Commission has directed all the options exchanges to work together to solve the problem of processing large numbers of quotes on systems initially designed with very limited capacity.

12. 45% **Letters.**
National Underwriter Life & Health-Financial Services Edition • 08/02/99 • 3 pages (470 words) • SUMMARY
Want Input On Suitability? Take This!

13. 44% **Networks Provide System Integration.**
Boodro, Charles J. • *National Underwriter Property & Casualty-Risk & Benefits Management* • 07/13/98 • 5 pages (1200 words) • SUMMARY
When insurance agencies first automated property and casualty policy quoting in the Late seventies and early eighties, many said this was the first step towards seamless integration between agencies and companies.

14. 44% **What is your agency's framework for growth?(manufacturers' representative agencies)**
Ackerman, Ron • *Agency Sales Magazine* • 03/01/99 • 6 pages (1600 words) • SUMMARY
A successful agency in the new millennium must have a clear framework for growth. his sounds like

15. 44% **In Search of Hot Prospects.**
Hann, Leslie Werstein • *Best's Review - Property-Casualty Insurance Edition* • 12/01/98 • 5 pages (1400 words) • SUMMARY
A network of cyberagents grows in Missouri and

16. 43% **Browser-Based Agency Manager Is Up And Running.**
TREMBLY, ARA C. • *National Underwriter Life & Health-Financial Services Edition* • 01/25/99 • 4 pages (790 words) • SUMMARY
AMS Services has announced successful installation and implementation of what it says is the industry's first browser-based agency management system, Sagitta Browser.

17. 43% **The Hartford Partners with Applied Systems and Microsoft To Bring SEMCI into Real-Time Interaction.**
PR Newswire • 05/24/99 • 3 pages (630 words) • SUMMARY
The Hartford to Agents: 'We'll quote you on

18. 43% **The History: How Nasdaq Was Born.**
Simms, Monica • *Traders* • 02/01/99 • 5 pages (1300 words) • SUMMARY
In its first humble year of operation in 1971, the Nasdaq Stock Market was broadcast to some 500 market makers across the country, trading nearly two billion shares in about 2,500 securities.

19. 43% **Single-Entry, Multiple-Company Interface As Good As It Gets ForAgents, Carriers!?**
Maciag, Gregory A. • *National Underwriter Property & Casualty-Risk & Benefits Management* • 10/19/98 • 5 pages (1500 words) • SUMMARY
No, the above headline does not feature a National Underwriter typo. You have a choice of

20. 43% **Technology Beckons Insurers.**
Best's Review - Life-Health Insurance Edition • 08/01/99 • 3 pages (650 words) • SUMMARY
In the age of the Internet, the demand is great for agents to be able to submit a single, fairly basic commercial insurance application to multiple carriers for multiple quotes and then have a policy issued on the spot--without re-keying the same information twice.

21. 43% **Technology Beckons Insurers.**
Best's Review - Property-Casualty Insurance Edition • 08/01/99 • 3 pages (650 words) • SUMMARY
In the age of the Internet, the demand is great for agents to be able to submit a single, fairly basic commercial insurance application to multiple carriers for multiple quotes and then have a policy issued on the spot--without re-keying the same information twice.

22. 43% **Pinnacle Systems' Investor Relations Department Receives Superior Rating From the AIA.**
Business Wire • 01/18/99 • 4 pages (740 words) • SUMMARY
MOUNTAIN VIEW, Calif.--(BUSINESS WIRE)--Jan. 18, 1999--Silicon Valley's leading manufacturer of

23. 42% **Online Options Explode For Agents.**
GJERTSEN, LEE ANN • *National Underwriter Property & Casualty-Risk & Benefits Management* • 10/25/99 • 5 pages (1200 words) • SUMMARY
First the good news: After watching from the sidelines as the rest of the world (and the industry) pursued electronic commerce, insurance agents now have access to dozens of services that will help them incorporate the Internet into their businesses.

24. 42% **FEDERAL INSURANCE REGULATION LESS COSTLY, LIFE INSURERS' STUDY SAYS.**
Federal & State Insurance Week • 12/21/98 • 5 pages (1200 words) • SUMMARY
A preliminary study by the American Council of Life Insurance indicates federal regulation of the life and health insurance industry might cost some $66 million less than the current system of state regulation each year.

25. 42% **ZARB SAYS NASDAQ WILL REVISIT LIMIT ORDER BOOK PROPOSAL.**
Wall Street Letter • 03/29/99 • 3 pages (420 words) • SUMMARY
The National Association of Securities Dealers will reconsider creating a consolidated limit order book (CLOB) for the Nasdaq Stock Market.

26. 42% **Delphi To Premier Online Rating Service/IP Partnership in Mexico; First-Ever 'Quote Closer' Technology Enables One-Stop Shopping and Brokering.**
Business Wire • 05/12/99 • 4 pages (830 words) • SUMMARY
May 12, 1999-Delphi Information Systems, Inc. (Nasdaq:DLPH), today announced that it has entered

27. 41% **CLICK AND BUY.(government agencies use EC Web Technologies' ecBuyer electronic commerce software)(Product Information)**
WALKER, RICHARD W. • *Government Computer News* • 09/20/99 • 4 pages (790 words) • SUMMARY
No procurement: software? No

28. 41% **Russia Y2K-Ready; Thailand Y2K Center Online - Reports.**
Bonisteel, Steven • *Newsbytes* • 12/29/99 • 4 pages (720 words) • SUMMARY
MOSCOW, RUSSIA, 1999 DEC 29 (NB) -- By Steven Bonisteel, Newsbytes. While Year 2000 experts in

29. 41% **New Services From Intuit's Quicken InsureMarket Make It Easy to Shop for Auto Insurance Savings.**
Business Wire • 11/11/98 • 6 pages (1300 words) • SUMMARY
Intuit Inc. (NASDAQ: INTU) announced today that its Quicken InsureMarket service

30. 41% **BROKER MAKES MONEY BY SAVING IT FOR INSURERS.**
TROUT, RICHARD • *Business Insurance* • 03/01/99 • 7 pages (2100 words) • SUMMARY
When Tony Marino Jr. says his agency is innovative, he's not

31. 41% **Dispute Pits SOES Bandit' Against Wholesaler: An ECN Fee Battle Threatens to Engulf Non-Combatant Traders.: Dispute Pits SOES Bandit' Against Wholesaler: An ECN Fee Battle Threatens to Engulf Non-Combatant Traders.**
Hoffman, William • *Traders* • 07/01/99 • 4 pages (1100 words) • SUMMARY
ATTAIN Direct, the online brokerage run by All-Tech Investment Group, has dozens of legal complaints it will file against Nasdaq market makers - unless its fee dispute with Knight Securities is satisfactorily resolved, according to an ATTAIN counsel.

32. 41% **Improved Service Can Help Agents Survive Net Challenge.**
Hillman, Bruce • *National Underwriter Property & Casualty-Risk & Benefits Management* • 09/27/99 • 5 pages (1200 words) • SUMMARY
An agent in the West, as well as some in the East and the North and the South, want to know how to compete in the "New Millennium." Agents want to know why they will still be in business after Y2K is behind us and this new-fangled Internet blooms full into fashion.

33. 41% **0+ Proceeding Runs Into Buzz Saw At FCC**
Communications Today • 05/04/98 • 4 pages (790 words) • SUMMARY
Attempts by the Bell operating companies [BOCs] to push back the July 1 deadline for providing oral information to consumers seeking price quotes for O+ interstate interLATA calls is running into opposition at the FCC, including from a company that provides telephone service to prison inmates.

34. 40% **Ensuring Agent Access through Middleware.(Company Operations)**
Krivda, Cheryl D. • *ENT* • 09/08/99 • 3 pages (590 words) • SUMMARY
Corporations that create intranets for business partners can quickly find themselves positioned as technology experts.

35. 40% **Waging the War For Independents.(Interview)**
McDonald, Lee • *Best's Review - Life-Health Insurance Edition* • 09/01/99 • 6 pages (1600 words) • SUMMARY
Progressive is pushing for an ever-larger share of independent agents' business. One front:

36. 40% **INSURERS PARTNER WITH ALLENBROOK FOR ENTERPRISE SOFTWARE SOLUTIONS, INCLUDING INTERNET CAPABILITY.**
Stimpson, Henry • *National Underwriter Property & Casualty-Risk & Benefits Management* • 05/31/99 • 5 pages (1110 words) • SUMMARY
Henry Stimpson. president of Stimpson Communications (RStimpson@aol.com). Wellesley Hills. MA, is

37. 40% **N. Korea fires ballistic missile into Pacific over Japan.**
Asian Political News • 09/07/98 • 4 pages (910 words) • SUMMARY
North Korea fired a ballistic missile Monday that crossed northeastern Japan and fell into international waters in the Pacific Ocean, Defense Agency officials said.

38. 40% **NASD Board Approves Agency Quote Proposal And Interim Approach to SOES/SelectNet Integration.**
PR Newswire • 12/11/98 • 4 pages (870 words) • SUMMARY
WASHINGTON, Dec. 11 /PRNewswire/ -- The National Association of Securities Dealers, Inc.

39. 40% **What the Pros Are Saying About Decimals.**
Chapman, Peter • *Traders* • 11/01/99 • 7 pages (2300 words) • SUMMARY
Aldo Parcesepe Sr. Managing Director OTC Trading Bear Stearns &

40. 40% **Y2K Efforts Aid E-Commerce For Agents.(insurance agents)**
Levin, Amanda • *National Underwriter Life & Health-Financial Services Edition* • 05/24/99 • 4 pages (790 words) • SUMMARY
With the Year 2000 quickly approaching, insurance agencies are upgrading and replacing their computer systems with the goal of becoming Y2K compliant.

41. 40% **Y2K Efforts Aid E-Commerce For Agents.**
Levin, Amanda • *National Underwriter Property & Casualty-Risk & Benefits Management* • 05/24/99 • 4 pages (790 words) • SUMMARY
With the Year 2000 quickly approaching, insurance agencies are upgrading and replacing their computer systems with the goal of becoming Y2K compliant.

42. 40% **INSURERS PARTNER WITH ALLENBR00K FOR ENTERPRISE SOFTWARE SOLUTIONS, INCLUDING INTERNET CAPABILITY.**
National Underwriter Life & Health-Financial Services Edition • 05/31/99 • 5 pages (1200 words) • SUMMARY
Property-casualty insurers with very different business models and distribution systems all need an efficient, easy-to-use policy management and claims administrations solutions.

43. 40% **3COM: Insurance Holdings Of America launches ultra-fast network using 3Com's systems.**
M2 Presswire • 12/04/98 • 6 pages (1330 words) • SUMMARY
Known for developing breakthrough insurance information services using leading-edge technologies, IHA operates two subsidiaries: Insurance Technology Services of America (ITSA) and Consumer Insurance Services of America (CISA).

44. 40% **Waging the War For Independents.(Statistical Data Included)**
McDonald, Lee • *Best's Review - Property-Casualty Insurance Edition* • 09/01/99 • 6 pages (1500 words) • SUMMARY
Progressive is pushing for an ever-larger share of independent agents' business. One front:

45. 40% **VIRTUAL VILLAGE GREETS NEW ONLINE NEIGHBORS.**
ROBERTS, SALLY • *Business Insurance* • 11/01/99 • 5 pages (1300 words) • SUMMARY
With a theme of ``Virtual Independents," it's not surprising that a host of new technology-related products and alliances were unveiled at the Independent Insurance Agents of America Inc.'s annual convention and trade show, held recently in Las Vegas.

46. 40% **Insurance Carriers Learn What's on Tech Horizon.: Insurance Carriers Learn What's on Tech Horizon.**
Hann, Leslie Werstein • *Best's Review - Life-Health Insurance Edition* • 06/01/99 • 3 pages (590 words) • SUMMARY
The power of the Internet-and the threat that noninsurance players will harness it to enter the insurance business--has lit a fire under the insurance industry to start delivering on long-lingering promises to develop and use technology that can help them do business more efficiently.

47. 40% **Butting in or helping out?; the impact of consultants on client/agency relationship.(includes related article on the advantages of hiring business consultants)(Panel Discussion)**
Ross, Warren • *Medical Marketing & Media* • 06/01/99 • 14 pages (4800 words) • SUMMARY
MM&M: Let's begin by sorting out the facts as to the role of consultants in healthcare advertising client/agency relationships.

48. 39% **Russian Missile Nears Delivery.**
BMD Monitor • 05/28/99 • 2 pages (120 words) • SUMMARY
The latest advanced Russian air defense missile, the S-400, is slated to deploy to Moscow district air defense forces by the end of the year, Interfax news agency reports.

49. 39% **RELATIONSHIPS CRUCIAL IN COMPETITIVE MARKET.(relationship between property and casualty insurers and agencies)**
SOUTER, GAVIN • *Business Insurance* • 05/03/99 • 7 pages (1800 words) • SUMMARY
Competitive property/casualty insurance market conditions are shaking up the relationships between agencies and insurers.

50. 39% **Net-Based Agency Manager Set.(Sagitta Browser)**
TREMBLY, ARA C. • *National Underwriter Property & Casualty-Risk & Benefits Management* • 01/25/99 • 4 pages (810 words) • SUMMARY
A MS Services has announced successful installation and implementation of what it says is the industiy's first browser-based agency management system-Sagitta Browser.

51. 39% **SENATE PASSES $232.8 MILLION FCC SPENDING MEASURE.**
Communications Daily • 07/26/99 • 3 pages (690 words) • SUMMARY
Senate late Thurs. passed legislation to revamp accounting system used by FCC to track telecom

52. 39% **Galileo International Announces New Product and Service Solutions.**
PR Newswire • 05/17/99 • 5 pages (1200 words) • SUMMARY
ROSEMONT, Ill., May 17 /PRNewswire/ -- Galileo International, Inc. (NYSE: GLC) today debuted

53. 39% **SPECIALIZATION MAIN INGREDIENT IN SUCCESS: HARD WORK, AUTOMATION AND EFFICIENCY ALSO HELPED 1998'S MOST PRODUCTIVE BROKERS.(Industry Overview)(Statistical Data Included)**
PRINCE, MICHAEL • *Business Insurance* • 09/06/99 • 6 pages (1700 words) • SUMMARY
Once again, the specialists come out on

54. 39% **Ensuring Agent Access through Middleware.(Company Operations): Ensuring Agent Access through Middleware.(Company Operations)**
Krivda, Cheryl D. • *ENT* • 09/08/99 • 3 pages (610 words) • SUMMARY
Corporations that create intranets for business partners can quickly find themselves positioned as technology experts.

55. 39% **Many officials involved in Vietnam crimes.**
Asian Political News • 12/06/99 • 2 pages (290 words) • SUMMARY
Many Vietnamese government officials and business leaders have been involved in organized crimes and their increasing frequency, notably corruption and drug-related cases, a state-controlled newspaper reported Tuesday.

56. 39% **Intelligence agency, expert say tapped-phone tape true.**
Asian Political News • 03/22/99 • 3 pages (630 words) • SUMMARY
JAKARTA, March 19 Kyodo The Indonesian Intelligence Agency and a multimedia expert have agreed the voices on the tape of a controversial telephone conversation between President B.J.

57. 39% **OrderFusion Enables Suppliers to Sell to E-Procurement Trading Communities With Orders of Magnitude 3.1.**
PR Newswire • 12/14/99 • 4 pages (880 words) • SUMMARY
Buy-Side E-procurement Systems

58. 39% **INSURERS PARTNER WITH ALLENBROOK FOR ENTERPRISE SOFTWARE SOLUTIONS, INCLUDING INTERNET CAPABILITY.: INSURERS PARTNER WITH ALLENBROOK FOR ENTERPRISE SOFTWARE SOLUTIONS, INCLUDING INTERNET CAPABILITY.**
Stimpson, Henry • *National Underwriter Property & Casualty-Risk & Benefits Management* • 05/31/99 • 5 pages (1130 words) • SUMMARY
Henry Stimpson. president of Stimpson Communications (RStimpson@aol.com). Wellesley Hills. MA, is

59. 39% **Global ambitions.(big advertising groups buying public relations agencies)**
Hall, Amanda • *Campaign* • 04/02/99 • 8 pages (1900 words) • SUMMARY
It's official: advertising groups have fallen in love with PR agencies. Long the poor relation of

60. 39% **A.I.A. To Research To Include Investor Response.**
Business Wire • 12/11/98 • 3 pages (500 words) • SUMMARY
DENVER--(BUSINESS WIRE)--Dec. 11, 1998--The Association for Investor Assistance, in an effort to

61. 39% **Cornering the Online Market.**
Ryan, Edward F.; Ryan, Edward F. • *Best's Review - Property-Casualty Insurance Edition* • 12/01/98 • 4 pages (910 words) • SUMMARY
Edward F. Ryan is a director with Allmerica Financial's property/casualty operation, which

62. 38% **Frisco Bay Listing Moves to NASDAQ Small Cap M.**
Business Wire • 11/13/98 • 2 pages (170 words) • SUMMARY
MONTREAL--(BUSINESS WIRE)--Nov. 13, 1998--FRISCO BAY(NASDAQ:FBAYF) Frisco Bay Industries Ltd.

63. 38% **SAATCHI'S BANKS SURPRISE NO. 1 IN PUNDIT RANKING; SPINDEX EXTRA: MEDIA LEADERS' OPINIONS HELP SHAPE INDUSTRY.(Statistical Data Included)**
Mandese, Joe • *Advertising Age* • 09/13/99 • 4 pages (1000 words) • SUMMARY
Power and influence exerted by ad agency executives can be measured in a couple of

64. 38% **Technology Will Level The Playing Field.**
PEASE, TIM • *National Underwriter Property & Casualty-Risk & Benefits Management* • 07/12/99 • 4 pages (910 words) • SUMMARY
The third major transformation of the insurance industry has begun, and over the next decade everything will change.

65. 38% **Not Everyone Is Ready For The Net -- Moving Its Processes Online Was A Learning Experience For Travelers Insurance.(Informationweek Forum)(Company Business and Marketing)**
InformationWeek • 11/08/99 • 4 pages (1100 words) • SUMMARY
Travelers Property and Casualty Corp. is ready to use online technology to enhance interaction

66. 38% **Insurers Face A Web Of Internet Options.**
TRENCHER, MARK L. • *National Underwriter Life & Health-Financial Services Edition* • 09/27/99 • 8 pages (2300 words) • SUMMARY
To sell to both the middle and upscale markets more cost-effectively, insurance companies are using an array of distribution channels, including agents, banks, financial advisors, worksite marketing and some that draw upon sophisticated communications and data-based technology, with less face-to-face involvement by agents.

67. 38% **Insurance Online: Just Point, Click & Bind.(Company Business and Marketing)**
ROWELL, AMY • *MIDRANGE Systems* • 11/29/99 • 6 pages (1700 words) • SUMMARY
With plans to spinoff part of its e-business development efforts to a separate company called, appropriately, Point, Click & Bind Inc., Reliance Group Holdings hopes to make it easier than ever to quote and bind insurance policies online.

68. 38% **Bank Supervision and the Limits of Political Influence over Bureaucracy.**
Kunioka, Todd T.; Woller, Gary M. • *Public Administration Review* • 07/01/99 • 29 pages (8030 words) • SUMMARY
The relationship between elected officials and unelected bureaucrats is one of recurring interest to students of government.

69. 38% **Atlantic Mutual and Canter Greenman Associates, LTD. Bring Web-Based InsurePoint Service to New York Technology Industry**
PR Newswire • 09/03/98 • 4 pages (700 words) • SUMMARY
WHITE PLAINS, NY, Sept. 3 /PRNewswire/ -- Atlantic Mutual Companies and Canter Greenman

70. 38% **Pivot's Web Site Enhanced by Addition of Online Life Insurance Application.**
PR Newswire • 07/26/99 • 3 pages (420 words) • SUMMARY
COLUMBUS, Ohio, July 26 /PRNewswire/ -- Pivot, the Internet's insurance destination for consumers, announced today the launch of an online term life insurance application within their web site (www.go2pivot.com).

71. 38% **Centerstone Opens the Internet for Texas Small Group Insurance.**
PR Newswire • 02/02/99 • 2 pages (380 words) • SUMMARY
DALLAS, Feb. 2 /PRNewswire/ -- Texas small businesses, their employees and health and life

72. 38% **NASDAQ(R) AMEX PHLX.(National Association of Securities Dealers, parent of the NASDAQ stock market; American Stock Exchange; Philadelphia Stock Exchange) (Company Business and Marketing)**
Sales, Robert • *Wall Street & Technology* • 09/01/98 • 8 pages (2400 words) • SUMMARY
One BIG Happy Family?

73. 38% **Atlantic Mutual and Canter Greenman Associates, LTD. Bring Web-BasedInsurePoint Service to New York Technology Industry**
PR Newswire • 09/03/98 • 4 pages (720 words) • SUMMARY
WHITE PLAINS, NY, Sept. 3 /PRNewswire/ -- Atlantic Mutual Companies and Canter Greenman

74. 38% **On Top Of The World.(World Wide Technology CEO David Steward)**
MUHAMMAD, TARIQ K. • *Black Enterprise* • 06/01/99 • 10 pages (2900 words) • SUMMARY
David Steward is a firm believer in the power of faith and perseverance. Yet his spirituality is

75. 38% **THE HARTFORD CREATES E-BUSINESS CENTER FOR AGENTS.**
Financial Net News • 09/13/99 • 3 pages (590 words) • SUMMARY
The Hartford Financial Services Group is developing a site where independent agents who handle commercial policies can view client accounts, download forms and marketing materials, and eventually participate in videoconferencing with underwriters.

76. 38% **Online shopping offers governments `net' gain.**
Couret, Christina • *American City & County* • 01/01/99 • 9 pages (2400 words) • SUMMARY
Electronic commerce allows government agencies to expand their Internet capabilities and improve their efficiency in purchasing goods and services.

77. 38% **Click Till You Drop**
Devlin, Dory • *Best's Review - Property-Casualty Insurance Edition* • 05/01/98 • 7 pages (1700 words) • SUMMARY
Online insurance malls are trying to become the financial services department stores of the Internet.

78. 38% **Municipal Bond Index Update.**
The Bond Buyer • 12/01/98 • 5 pages (1400 words) • SUMMARY
The list of bonds priced for the Municipal Bond Index was revised after the November 30 pricing.

79. 38% **REPEAT/ebix.com Inc. Becomes First Online Site to Offer Both Commercial and Personal Lines of Insurance.**
Business Wire • 12/08/99 • 3 pages (670 words) • SUMMARY
ROLLING MEADOWS, Ill.--(BUSINESS WIRE)--Dec. 8,

80. 38% **MILLER ON PROCUREMENT**
Miller, Terry • *Federal Computer Market Report* • 07/13/98 • 5 pages (1500 words) • SUMMARY
Recently I spoke with officials at a 15-year-old Washington, D.C.-based small business firm with about 100 employees.

81. 38% **[2] Prudential Offers Auto Rate Quotes Via its Web Site.**
Business Wire • 12/17/99 • 2 pages (340 words) • SUMMARY
HOLMDEL, N.J.--(BUSINESS WIRE)--Dec. 17,

82. 38% **NASDAQ-AMEX: Nasdaq-Amex.com wins "Best Financial Services Site" webaward.**
M2 Presswire • 12/11/98 • 3 pages (630 words) • SUMMARY
Washington, D.C. -- The Nasdaq-Amex Market Group today announced that the Web Marketing

83. 38% **Click Till You Drop**
Devlin, Dory • *Best's Review - Life-Health Insurance Edition* • 05/01/98 • 7 pages (1800 words) • SUMMARY
Dory Devlin is a freelance writer based in Basking Ridge,

84. 37% **TWO NEW WEB SITES GEARED TO BROKERS.(multiple brief articles)(Brief Article)**
Business Insurance • 10/04/99 • 4 pages (890 words) • SUMMARY
Two new World Wide Web sites are targeted to insurance agents and

85. 37% **Micron Electronics Aims for Undisputed Leadership in Providing Computing Solutions for Mid-Size Businesses and Government Agencies.**
Business Wire • 06/14/99 • 11 pages (3200 words) • SUMMARY
Micron Electronics, Inc., (Nasdaq:MUEI) today introduced MVision, a set of solutions and services aimed at helping mid-size businesses and government agencies refocus more of their IT staff and financial resources on high-gain technology solutions.

86. 37% **ALLENBROOK FOCUSES ON SUPPORT OF BLENDED DISTRIBUTION MODEL.(Company Operations)**
Insurance & Technology • 06/01/98 • 3 pages (660 words) • SUMMARY
As the industry moves toward new distribution models, Allenbrook, Inc. (Portland, ME), a wholly

87. 37% **NASD: OTC bulletin board trading symbols appended for delinquent filers.**
M2 Presswire • 03/31/99 • 3 pages (580 words) • SUMMARY
Washington, D.C. -- The National Association of Securities Dealers, Inc. (NASD), today announced

88. 37% **The Nasdaq-Amex Market Group Announces Agreement with Neural Applications Corporation for nasdaq-amex.com Web Site.**
Business Wire • 06/03/99 • 3 pages (470 words) • SUMMARY
Neural Applications Corporation today announced a new agreement with The Nasdaq-Amex Market Group(SM), whereby The Nasdaq-Amex Market Group agrees to license Neural's proprietary stock screening Internet technology for the nasdaq-amex.com Web site.

89. 37% **Danger, Chimeras Ahead: Comment on Terry.(Larry Terry, Public Administration Review, vol. 58, p. 194, 1998)**
Frant, Howard L. S. • *Public Administration Review* • 05/01/99 • 11 pages (2850 words) • SUMMARY
A recent article by Larry Terry raises the alarm about a new management ideology, which he calls "neomanagerialism." He says that this new ideology, a compound of several recent management theories inspiring the reform movement known as the New Public Management, is "a serious threat to democracy" (1998, 198).

90. 37% **A Web Reach.**
Rice, Kate • *Leisure Travel News* • 11/15/99 • 4 pages (860 words) • SUMMARY
Michael and Sharon Czarnecki have seen their business increase 350 percent since they launched their agency's Web site, www.bonvoyagecruises.com, in 1996.

91. 37% **International Securities Exchange Announces Primary & Competitive Market Makers.**
Business Wire • 12/09/99 • 7 pages (2000 words) • SUMMARY
NEW YORK--(BUSINESS WIRE)--Dec. 9,

92. 37% **COMPUTER ASSOCIATES: First Insurance Company of Hawaii uses Opal to streamline business processes.**
M2 Presswire • 03/11/99 • 5 pages (1000 words) • SUMMARY
ISLANDIA, N.Y. -- Computer Associates International, Inc. (CA) today announced that First

93. 37% **COMPLIANCE: ACCUTRADE JOINS FIGHT AGAINST QUOTE ACCESS FEES**
Financial Net News • 07/13/98 • 2 pages (320 words) • SUMMARY
Peter Ricketts, president of Accutrade, has fired off a letter to the Securities and Exchange Commission urging federal regulators to provide relief from alleged discriminatory bid and offer quotation access fees imposed on online investors.

94. 37% **Washington Watch: SEC Chairman Goes to Bat for Market Makers.**
Hoffman, William • *Traders* • 11/01/99 • 5 pages (1100 words) • SUMMARY
Securities and Exchange Commission Chairman Arthur Levitt, a target for traders angry with his agency's overhaul of the equity markets, came out swinging for market makers at Columbia University Law School in New York.

95. 37% **Inspectors eyeing corrective actions despite FDA policy.**
Medical Device Approval Letter • 10/01/98 • 6 pages (1250 words) • SUMMARY
Despite a promise that field investigators will not routinely request corrective action plans that result from internal audits, some inspectors have been doing exactly the opposite.

96. 37% **SAATCHI'S BANKS SURPRISE NO. 1 IN PUNDIT RANKING; SPINDEX EXTRA: MEDIA LEADERS' OPINIONS HELP SHAPE INDUSTRY.(Statistical Data Included): SAATCHI'S BANKS SURPRISE NO. 1 IN PUNDIT RANKING; SPINDEX EXTRA: MEDIA LEADERS' OPINIONS HELP SHAPE INDUSTRY.**
Mandese, Joe • *Advertising Age* • 09/13/99 • 4 pages (1000 words) • SUMMARY
Power and influence exerted by ad agency executives can be measured in a couple of

97. 37% **Central Insurance Companies Launches New Internet Transactions Powered by Intelligent Environments' Amazon Web Integration Platform.**
Business Wire • 07/13/98 • 4 pages (700 words) • SUMMARY
Intelligent Environments, a leading provider of powerful Web solutions, and the Central Insurance Companies today announced the launch of Central's new business transaction capability being made available to Central's agents nationwide via the company's Web site.

98. 37% **Bond Market Association Survey Finds 39 Electronic Trading Systems Serving Institutional Fixed-Income Market; 50 Percent Increase From One Year Ago.**
PR Newswire • 11/10/99 • 4 pages (810 words) • SUMMARY
NEW YORK, Nov. 9 /PRNewswire/ -- According to a survey released today by The Bond Market

99. 37% **UK GOVERNMENT: Youth justice reforms making good pr progress.**
M2 Presswire • 08/17/99 • 13 pages (3350 words) • SUMMARY
Measures to overhaul the youth justice system and ensure young offenders take greater responsibility for their behaviour appear to be working well, Home Office Minister, Charles Clarke, said today.

100. 37% **From Greek Mythology to the Real World of the New Public Management and Democratic Governance (Terry Responds).(response to article by Howard Frant in this issue, p. 268)**

Terry, Larry D. • *Public Administration Review* • 05/01/99 • 17 pages (4600 words) • SUMMARY

I would like to thank the editors of the Public Administration Review (PAR) for this opportunity to respond to Professor Howard Frant's (in this issue) critical review of my article, "Administrative Leadership, Neo-Managerialism and the Public Management Movement" (PAR, May/June, 1998).

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100 documents returned

1. 81% **The effect of the SEC's order-handling rules on NASDAQ. (Securities and Exchange Commission; National Association of Security Dealers Automated Quotation)** ☑
Van Ness, Bonnie F.; Van Ness, Robert A.; McInish, Thomas H. • *Journal of Financial Research* • 09/01/98 • 9 pages (2300 words) • SUMMARY
As a result of two academic studies (Christie and Schultz (1994) and Christie, Harris, and Schultz (1994)), on January 20, 1997, the National Association of Security Dealers Automated Quotation (NASDAQ) system began a phased implementation of new Securities and Exchange Commission (SEC) order-handling rules designed to increase the access of individuals to the NASDAQ market and to reduce individuals' transactions costs.

2. 78% **Price improvement and price discovery on a primary market: evidence from the American Stock Exchange.** ☐
Handa, Puneet; Schwartz, Robert A.; Tiwari, Ashish • *Journal of Portfolio Management* • 03/01/99 • 17 pages (4600 words) • SUMMARY
Price discovery is the process by which share values that best reflect investors' aggregate desires to hold a stock are determined in the marketplace.

3. 76% **Locked and Crossed Markets.** ☐
Traders • 05/01/99 • 7 pages (2000 words) • SUMMARY
Locked and crossed markets are a reality of Nasdaq trading. They always have

4. 76% **An empirical examination of the Nasdaq/CHX dual-trading experiment.(National Association of Securities Dealers Market System; Chicago Stock Exchange)** ☐
Van Ness, Bonnie F.; Van Ness, Robert A.; Pruitt, Stephen W. • *The Financial Review* • 08/01/99 • 16 pages (4400 words) • SUMMARY
The purpose of this study is to advance the understanding of the influences of market structure on prices trading costs and volatility.

5. 74% **Clientele effects and cross-security market making: evidence from calls of convertible preferred securities.** ☐
Howe, John S.; Lin, Ji-Chai; Singh, Ajai K. • *Financial Management* • 12/01/97 • 16 pages (4300 words) • SUMMARY
Convertible securities (e.g., convertible bonds and convertible preferred stocks) often include call provisions.

6. 74% **Is the Agency-Quote Proposal Plausible?: Buyside and Sellside Say It's Only an Interim Step.** ☑
O'Reilly, Michael L. • *Traders* • 02/01/99 • 5 pages (1500 words) • SUMMARY
Most traders want to level the proverbial playing field on Nasdaq. Only no one can agree on how

7. 74% **ONLINE BROKERS To GIVE RETAIL CUSTOMERS DIRECT ACCESS TO NASDAQ.** ☐
Wall Street Letter • 08/23/99 • 3 pages (480 words) • SUMMARY
Ameritrade, Mr. Stock and National Discount Brokers are moving to offer retail customers direct

8. 71% **Shaking Things Up-Again Having revolutionized stocks, E*trade's founder takes on the options world.** ☐
Lindorff, Dave • *Investment Dealers' Digest* • 09/20/99 • 15 pages (5300 words) • SUMMARY
Three years ago, William Porter, founder of online trading pioneer E*Trade Group Inc., was a man on a mission as he headed for Washington, D.C., to meet with Richard Lindsey, then the ambitious director of market regulation at the Securities and Exchange Commission.

9. 71% **Testing for liquidity gains in the market reaction to Nasdaq National Market System phase-ins.**
Viswanathan, K.G.; Papaioannou, George; Krull, Steven • *Quarterly Journal of Business and Economics* • 06/01/97 • 19 pages (5070 words) • SUMMARY
Previous studies by Ying, Lewellen, Schlarbaum, and Lease (1977), Fabozzi (1981), Grammatikos and Papaioannou (1986a), and Sanger and McConnell (1986) report a positive market reaction to announcements about the movement of stocks from the over-the-counter (OTC) market to an organized exchange such as the New York Stock Exchange (NYSE) or the American Stock Exchange (Amex).

10. 69% **Are "teenies" better? Low priced shares are the greatest beneficiary.**
Bollen, Nicholas P.B.; Whaley, Robert E. • *Journal of Portfolio Management* • 09/01/98 • 22 pages (5980 words) • SUMMARY
On June 5, 1997, the New York Stock Exchange voted to adopt a system of decimal price trading, changing its longstanding practice of using eighths.

11. 69% **Shaking Things Up-Again Having revolutionized stocks, E*trade's founder takes on the options world.: Shaking Things Up-Again Having revolutionized stocks, E*trade's founder takes on the options world.**
Lindorff, Dave • *Investment Dealers' Digest* • 09/20/99 • 15 pages (5300 words) • SUMMARY
Three years ago, William Porter, founder of online trading pioneer E*Trade Group Inc., was a man on a mission as he headed for Washington, D.C., to meet with Richard Lindsey, then the ambitious director of market regulation at the Securities and Exchange Commission.

12. 69% **ECNs: REVOLUTIONIZING THE STOCK MARKET.**
Wall Street Letter • 10/18/99 • 27 pages (9200 words) • SUMMARY
Electronic communications networks are having a transforming effect on stock market investing and institutional trading.

13. 68% **Bid-ask spreads in multiple dealer settings: some experimental evidence.**
Ackert, Lucy F.; Church, Bryan K. • *Financial Management* • 03/01/99 • 26 pages (7300 words) • SUMMARY
In this paper, we use an experimental economics method to examine bid-ask spreads in multiple dealer settings.

14. 68% **Nymex board selects AIG as market maker.**
YAFIE, ROBERTA C. • *American Metal Market* • 03/08/99 • 3 pages (480 words) • SUMMARY
NEW YORK -- The future of the Comex aluminum futures contract was put in the hands of AIG International Inc.

15. 67% **May Day II.**
Lux, Hal; Willoughby, Jack • *Institutional Investor* • 02/01/99 • 22 pages (7300 words) • SUMMARY
Technology and regulatory reform are turning the over-the-counter market on

16. 67% **A virtual stock market.(day trading)**
Vogelstein, Fred • *U.S. News & World Report* • 04/26/99 • 6 pages (1500 words) • SUMMARY
Half a block from the soaring marble columns of the New York Stock Exchange may be the ugliest suite of offices on Wall Street.

17. 66% **Add Luster to Your Financial Picture By Attracting Market Makers, Analysts.**
PR News • 12/14/98 • 4 pages (740 words) • SUMMARY
NEW YORK - There is no single element that makes your investor relations communications and strategies palatable to the investment community.

18. 66% **Price information and bidding behavior in repeated second-price auctions.**
List, John A.; Shogren, Jason F. • *American Journal of Agricultural Economics* • 11/01/99 • 16 pages (4600 words) • SUMMARY
Auction theory has succeeded in converting abstract game theoretic insight into notable practical importance.

19. 66% **The ecology of an order-driven market.**
Handa, Puneet; Schwartz, Robert A.; Tiwari, Ashish • *Journal of Portfolio Management* • 12/01/97 • 19 pages (5200 words) • SUMMARY
Too complicated for regulators to have all the

20. 66% **Bid-ask spread components in an order-driven environment.**
Brockman, Paul; Chung, Dennis Y. • *Journal of Financial Research* • 06/01/99 • 25 pages (6750 words) • SUMMARY
The purpose of this paper is to estimate the components of the bid-ask spread in an order-driven market.

21. 65% **NASDAQ TO RAISE STANDARDS FOR PRIMARY MARKET MAKERS**
Wall Street Letter • 01/26/98 • 3 pages (470 words) • SUMMARY
The Nasdaq Stock Market has a proposal in the works that would raise the bar for Wall Street firms seeking status as a primary market maker in any Nasdaq stock.

22. 65% **Labor market regulation and the winner's curse.(an analysis of the impact of 1992 Skill Development and Fair Wage policy of British Columbia)** ☐
Bilginsoy, Cihan • *Economic Inquiry* • 07/01/99 • 27 pages (7700 words) • SUMMARY
In March 1992, the government of British Columbia (B.C.), Canada, introduced the Skill Development and Fair Wage Policy (SDFWP), which mandated the payment of "fair" wages on provincial public construction projects, and promulgated the wage scales for construction crafts.

23. 64% **COMMERCE ONE: Commerce One launches market's first global hosted commerce solution.** ☐
M2 Presswire • 04/30/99 • 4 pages (950 words) • SUMMARY
Internet Electronic Commerce Expo (iEC), NY -- In a move designed to drive mass adoption of business-to-business e-commerce, Commerce One, Inc.

24. 64% **The Big Question: Movint to Commissions on Nasdaq?** ☐
O'Reilly, Michael • *Traders* • 12/01/98 • 10 pages (3100 words) • SUMMARY
With the cost of trading rising on the sellside, Nasdaq market makers and their institutional clients are speaking publicly in favor of a shift in how block trades are handled from net trading to a system based more on commissions.

25. 64% **Extreme Wall Street.(day trading)** ☐
DuBois, Larry • *Playboy* • 07/01/99 • 12 pages (4300 words) • SUMMARY
I remember sitting in a hotel ballroom in early 1993, when the Dow Jones industrial average was at about 3000, listening as the manager of one of America's largest mutual funds shocked his audience by announcing: "Dow 10,000 by the year 2000." Nobody believed him.

26. 63% **Small ECN's Next Giant Target Could Bloomberg Tradebook's Indications Tool Hobble Instinet?** ☐
Sneelakantan, Shailaja • *Traders* • 05/01/99 • 6 pages (1500 words) • SUMMARY
Bloomberg Tradebook is proudly brandishing its latest tool - a buy-side indications trading tool.

27. 63% **WASHINGTON: MSDW, BSE SOUND OFF ON NEXT NASDAQ** ☐
Wall Street Letter • 06/01/98 • 3 pages (390 words) • SUMMARY
Morgan Stanley Dean Witter and the Boston Stock Exchange, in separate letters to the Securities and Exchange Commission last week, called on the National Association of Securities Dealers to alter its plan to consolidate the myriad systems for handling orders on the Nasdaq Stock Market.

28. 63% **The liquidity effects associated with addition of a stock to the S&P 500 index: evidence from bid/ask spreads.** ☐
Erwin, Gayle R.; Miller, James M. • *The Financial Review* • 02/01/98 • 20 pages (5800 words) • SUMMARY
This paper examines changes in stock liquidity, as measured by the bid/ask spread, when a stock is added to Standard & Poor's (S&P) 500 Index.

29. 62% **Insider trading and the bid-ask spread.** ☐
Chung, Kee H.; Charoenwong, Charlie • *The Financial Review* • 08/01/98 • 22 pages (6050 words) • SUMMARY
In recent years, considerable effort has been devoted to the study of market microstructure. In

30. 62% **International Securities Exchange Announces Primary & Competitive Market Makers.** ☐
Business Wire • 12/09/99 • 7 pages (2000 words) • SUMMARY
NEW YORK--(BUSINESS WIRE)--Dec. 9,

31. 62% **Institutional equity trading costs: NYSE versus Nasdaq.** ☐
Chan, Louis K.; Lakonishok, Josef • *Journal of Finance* • 06/01/97 • 4 pages (870 words) • SUMMARY
The mechanisms for trading stocks have undergone dramatic changes in recent years. In the

32. 61% **Equity auction seeks better prices. (Financial Auction Network) (Internet/Web/Online Service Information)** ☐
Epstein, Chuck • *Wall Street & Technology* • 02/01/98 • 6 pages (1700 words) • SUMMARY
Some electronic trading systems try to correct a deficiency or make an improvement in one part of the trading process.

33. 61% **Online Investing Service EquityStation Opens Doors for Service to Top Bracket Domestic and Global Investors.** ☐
PR Newswire • 09/30/99 • 4 pages (720 words) • SUMMARY
Combining Internet convenience with attentive, multilingual, personal service, EquityStation is looking to the U.S.

34. 61% **COMPLIANCE NAVIGATOR: ONLINE TRADING** ☐
Financial Net News • 06/01/98 • 5 pages (970 words) • SUMMARY
As the popularity of the Internet grows, investors are looking for convenience and are using online brokerages to execute trades in a more efficient manner.

35. 61% **Commerce One Launches Market's First Global Hosted Commerce Solution; Provides Affordable E-Commerce Onramp to Businesses of Any Size.**
Business Wire • 04/27/99 • 4 pages (920 words) • SUMMARY
In a move designed to drive mass adoption of business-to-business e-commerce, Commerce One, Inc.

36. 60% **ZARB SAYS NASDAQ WILL REVISIT LIMIT ORDER BOOK PROPOSAL.**
Wall Street Letter • 03/29/99 • 3 pages (420 words) • SUMMARY
The National Association of Securities Dealers will reconsider creating a consolidated limit order book (CLOB) for the Nasdaq Stock Market.

37. 60% **Venture-Backed IPOs Make a Comeback.**
Venture Capital Journal • 08/01/99 • 9 pages (2320 words) • SUMMARY
The first six months of 1999 produced 96 venture-backed initial public offerings - more than three times the 29 IPOs completed the preceding half year, according to Venture Economics Information Services (VEIS), a data company affiliated with VCJ.

38. 60% **NASDAQ DEALERS AVOIDING ODD 16THS, STUDY SAYS**
Wall Street Letter • 12/22/97 • 2 pages (370 words) • SUMMARY
Market makers are avoiding quoting stock prices in odd sixteenths of a dollar on the Nasdaq Stock Market, according to a study released last week to the Securities and Exchange Commission by two academics.

39. 59% **Cantor Exchange Announces Market Maker Incentive Program Enabling Active Traders to Trade Free Until End of 2005.**
Business Wire • 02/11/99 • 3 pages (690 words) • SUMMARY
NEW YORK--(BUSINESS WIRE)--Feb. 10, 1999--The Cantor Exchange (CX), the nation's first full-time

40. 59% **Comex plans new aluminum contract.**
YAFIE, ROBERTA C. • *American Metal Market* • 11/06/98 • 5 pages (1500 words) • SUMMARY
It has been 15 years since Comex, then called the Commodity Exchange and the premier U.S. metals

41. 59% **Equity Auction Seeks Better Prices**
Epstein, Chuck • *Wall Street & Technology* • 02/01/98 • 6 pages (1600 words) • SUMMARY
Some electronic trading systems try to correct a deficiency or make an improvement in one part of the trading process.

42. 59% **PINK SHEETS TO AUTOMATE**
Wall Street Letter • 12/22/97 • 2 pages (300 words) • SUMMARY
The National Quotation Bureau is planning to automate stock trading on its so-called Pink Sheets market early next year, around the time the Pink Sheets are expected to absorb thousands of stocks transferring from the National Association of Securities Dealers' OTC Bulletin Board, according to Cromwell Coulson, NQB chairman.

43. 59% **Pennies from hell. (dealers profit more from low-priced shares than do investors)**
Taylor, Peter Shawn • *Canadian Business* • 02/27/98 • 9 pages (2700 words) • SUMMARY
The Canadian Dealing Network turns over an astonishing $12.6 billion worth of mostly low-priced shares every year.

44. 59% **The Mechanics of Effective Distributions.**
Venture Capital Journal • 04/01/99 • 11 pages (3600 words) • SUMMARY
This is the second of three articles about distributing thinly traded stocks to limited partners.

45. 59% **Trading Nasdaq Issues at the CHX**
O'Reilly, Michael L. • *Traders* • 03/01/98 • 10 pages (3100 words) • SUMMARY
The Nasdaq Stock Market has made some friends - specialists at the Chicago Stock

46. 58% **Paper trading on the Web: A net gain?**
SWANN, CHARLES E. • *PIMA's North American Papermaker* • 12/01/99 • 11 pages (3100 words) • SUMMARY
Over the past year, web sites devoted to the auction and sale of pulp, paper and paperboard have popped up faster than you can say dot corn.

47. 58% **A GOOD YEAR FOR CAD SALES.**
Computer Aided Design Report • 03/01/99 • 6 pages (1700 words) • SUMMARY
With the exception of Parametric Technology Corporation, most of the large, publicly owned CAD companies had a good year in 1998.

48. 58% **OPTIONS EXCHANGES SEEK MORE INTERNALIZATION.**
Johnson, Laura • *Wall Street Letter* • 10/04/99 • 3 pages (790 words) • SUMMARY
The American Stock Exchange, Chicago Board Options Exchange and Pacific Exchange are looking to boost thresholds at which broker/dealers can circumvent the floor and internalize customer orders.

49. 58% **A tall order. (Securities and Exchange Commission takes action on two new regulations for handling stock orders) (Government Activity)** ☐
Sales, Robert • *Wall Street & Technology* • 07/01/97 • 8 pages (2100 words) • SUMMARY
The SEC has begun the roll out of its order handling rules for Nasdaq and listed stocks, but flaws continue to skew the transparency of ECN prices and inhibit the transfer of customer limit orders.

50. 58% **A New Version of SOES Bandits Appears on U.S. Options Exchanges: Customers of Preferred Capital Markets zero in on a market flaw.** ☐
Wipperfurth, Heike • *Investment Dealers' Digest* • 10/11/99 • 4 pages (1100 words) • SUMMARY
A small but fast-growing band of retail traders is using new brokerage technology to exploit differences between prices on the four major options exchanges.

51. 58% **Nasdaq ECNs: A Brave New World.(new Nasdaq electronic communication networks emerge) (Industry Trend or Event)** ☐
Sales, Robert • *Wall Street & Technology* • 08/01/98 • 8 pages (2300 words) • SUMMARY
Since the Security and Exchange Commission's order handling rules took effect, a wave of Nasdaq electronic communication networks (ECNs) has emerged, meaning Reuters' Instinet is no longer the only ECN game in town.

52. 58% **NOTEBOOK.** ☐
Consumer Electronics • 12/07/98 • 8 pages (2000 words) • SUMMARY
Nov. Retail Sales Reports:For 3rd quarter ended Nov. 28, Best Buy sales climbed 18% to $2.49

53. 58% **Regional Investment Bankers Association Works With NASD To Establish Agenda for OTC Bulletin Board Roundtable Session.** ☐
Business Wire • 02/11/99 • 5 pages (1300 words) • SUMMARY
CHARLESTON, S.C.--(BUSINESS WIRE)--Feb. 9, 1999--Regional Investment Bankers Association has

54. 58% **Who will sign up with the new kid on options block?(International Securities Exchange)** ☐
Wippefurth, Heike • *Investment Dealers' Digest* • 04/26/99 • 4 pages (940 words) • SUMMARY
Market makers in the options industry are trying to decide whether to join the International Securities Exchange, the brand-new all-electronic exchange backed by E*Trade Inc.

55. 58% **How to hedge your bets on resin pricing.** ☐
Sherman, Lilli Manolis • *Plastics Technology* • 05/01/98 • 5 pages (1500 words) • SUMMARY
Resin prices may go up and down, but plastics processors can now buy a form of insurance to protect themselves.

56. 58% **OPTIONS PROS TO LEVITT: PUT UP OR SHUT UP.** ☐
Johnson, Laura • *Wall Street Letter* • 11/08/99 • 3 pages (570 words) • SUMMARY
Securities and Exchange Commission Chairman Arthur Levitt discouraged the practice of payment for order flow in an address to the Securities Industry Association in Boca Raton Thursday, but stopped short of committing the SEC to any formal action on the subject.

57. 57% **Four Major Firms Join Forces to Launch New ECN.** ☐
PR Newswire • 07/21/99 • 5 pages (1210 words) • SUMMARY
NEW YORK, July 21 /PRNewswire/ -- Four major brokerage and financial services firms today announced that they have signed a letter of intent on a wide-ranging technology sharing and order management agreement which will have as its centerpiece a new electronic communications network (ECN).

58. 57% **DTN Adds Nasdaq Level II Stock Quotes to its Real-Time Service.** ☐
PR Newswire • 12/02/98 • 3 pages (550 words) • SUMMARY
OMAHA, Neb., Dec. 2 /PRNewswire/ -- Data Transmission Network Corporation (DTN) announced the

59. 57% **NOTEBOOKS.** ☐
Consumer Electronics • 04/19/99 • 13 pages (4000 words) • SUMMARY
Corning, buoyed by sales of new fiber product, reported first-quarter profit jumped 39% on 12% gain in sales (see financial table).

60. 57% **WHAT'S NEXT?: SIA, NASDAQ TO DISCUSS ALTERNATIVES TO NEXT NASDAQ PLAN** ☐
Wall Street Letter • 01/19/98 • 3 pages (420 words) • SUMMARY
Top Securities Industry Association and Nasdaq Stock Market committees members plan to meet to discuss alternatives to the controversial central limit order book proposed in the "Next Nasdaq" plan for revamping Nasdaq trading, said Bernie Madoff, head of the SIA's Trading and Markets Committee.

61. 57% **Going, Going, Gone! -- E-Commerce Is Leading To An Anything Goes Environment Of Online Bidding And Dynamic Pricing.(Industry Trend or Event)** ☐
Dalton, Gregory • *InformationWeek* • 10/04/99 • 8 pages (2400 words) • SUMMARY
It was bound to happen. The success of E-commerce has led to the electronic version of another

62. 56% **TradingDynamics Delivers First Highly Configurable, Business-to-Business Internet Trading Application Suite.**
PR Newswire • 10/18/99 • 6 pages (1360 words) • SUMMARY
MOUNTAIN VIEW, Calif., Oct. 18 /PRNewswire/ -- TradingDynamics, Inc. today introduced the first

63. 56% **A New Version of SOES Bandits Appears on U.S. Options Exchanges: Customers of Preferred Capital Markets zero in on a market flaw.: A New Version of SOES Bandits Appears on U.S. Options Exchanges: Customers of Preferred Capital Markets zero in on a market**
Wipperfurth, Heike • *Investment Dealers' Digest* • 10/11/99 • 4 pages (1100 words) • SUMMARY
A small but fast-growing band of retail traders is using new brokerage technology to exploit differences between prices on the four major options exchanges.

64. 56% **American Companies in Japan: SOFTWARE AND INFORMATION SERVICES**
Japan-U.S. Business Report • 01/31/98 • 15 pages (4000 words) • SUMMARY
A turnkey electronic commerce server package, Quick Merchant Server, is on the market from HEWLETT-PACKARD JAPAN LTD.

65. 56% **Too Popular for Their Own Good?(Systems and procedures that predate the phenomenon of Internet trading are struggling to keep pace with volumes.)**
O'Sullivan, Orla • *US Banker* • 06/01/99 • 9 pages (2600 words) • SUMMARY
"You can't strap 10 planes together and fly to the moon," Charles Schwab once said, in an attempt to describe the situation of Internet-based stock brokers.

66. 55% **THE NETWORK CONTROLLERS**
Computer Business Review • 02/01/98 • 15 pages (4900 words) • SUMMARY
Networking giant Cisco is growing and growing. But it is also starting to change into a big

67. 55% **Post office banks gain momentum.**
European Banker • 03/23/99 • 5 pages (1400 words) • SUMMARY
Post office distribution channels are tempting retail banks into alliances. Anne Bovaird reports

68. 55% **NOTEBOOK.(sales, profits, product launch)**
Consumer Electronics • 08/09/99 • 17 pages (5000 words) • SUMMARY
July Retail Sales Reports: Sales at Circuit City rose 23% in July to $1.02 billion from $830.4 million, including 20% gain for core Circuit City sales to $834 million from $694.9 million, with same-store sales climbing 15%.

69. 55% **IBM SERVER PLAN - GET BUSY, GET BUSINESS, GET MORE - 1**
Computergram International • 06/04/98 • 6 pages (1700 words) • SUMMARY
The first of a two-part article by Timothy Prickett

70. 55% **NOTEBOOK.**
Consumer Electronics • 11/29/99 • 12 pages (3600 words) • SUMMARY
Sega said last week it had sold one-millionth Dreamcast videogame console systems in N. America

71. 55% **CBOE IMPLEMENTS CROSSED-MARKET FIX ON RAES.**
Wall Street Letter • 11/01/99 • 2 pages (270 words) • SUMMARY
The Chicago Board Options Exchange has changed its automatic execution rules to keep market makers from getting picked off as a result of crossed markets.

72. 55% **SIEMENS NIXDORF: Siemens signs international partnership with Information Internet**
M2 Presswire • 03/02/98 • 3 pages (530 words) • SUMMARY
Siemens Nixdorf has announced an international partnership with Information Internet Limited, the developer of the world's first online trading system - MarketMaker - to drive the implementation of Internet-based trading solutions in the financial sector.

73. 55% **NASDAQ WANTS DEALERS TO REVEAL SIZE.**
Wall Street Letter • 05/24/99 • 3 pages (500 words) • SUMMARY
Dealers on the Nasdaq Stock Market may soon be required to disclose in their quotes the full number of shares they are willing to buy or sell at a given price, pending approval of a proposed Nasdaq rule.

74. 55% **A specialist's quoted depth and the limit order book.(includes related article)**
Kavajecz, Kenneth A. • *Journal of Finance* • 04/01/99 • 31 pages (8500 words) • SUMMARY
A substantial portion of the market microstructure literature demonstrates how a specialist uses quoted prices as an instrument to manage inventory, mitigate the adverse selection problem, and promote price discovery.

75. 55% **Hands Off Price Improvement.**
Finn, Gene L. • *Traders* • 08/01/99 • 5 pages (1200 words) • SUMMARY
Price improvement, the term used to signify the execution of a stock trade for a better price than the publicly available best bid and offer is a regulatory delusion.

76. 55% **California's scheduling coordinator: market-maker with advantage?**
Woychik, Eric Charles • *Public Utilities Fortnightly (1994)* • 01/15/98 • 12 pages (3130 words) • SUMMARY
After a four-year debate on electricity reform, Califonia's powerful industry players have carved out a unique and broad new role for "scheduling coordinators." SCs have the central role in offering fully unbundled generation, transmission and retail-access services.

77. 55% **MOTOR VEHICLES: COMMISSION GETS TOUGH OVER PERSISTENT CAR PRICE GAPS**
European Report • 02/18/98 • 5 pages (1200 words) • SUMMARY
Car prices in the European Union still vary considerably from one country to another. The

78. 54% **How the NASD's NODE's Campaign Backfired Badly**
Byrne, John A. • *Traders* • 05/01/98 • 6 pages (1500 words) • SUMMARY
A low-ranking official at the Securities and Exchange Commission recently fired off a public comment letter about the new trading system proposed by the National Association of Securities Dealers.

79. 54% **DEALERS PAN BULLETIN BOARD REVAMP**
Wall Street Letter • 12/15/97 • 2 pages (290 words) • SUMMARY
Dealers making markets in stocks on the National Association of Securities Dealers' OTC Bulletin Board criticized changes to that market approved last week to stem microcap stock abuses.

80. 54% **What the Pros Are Saying About Decimals.**
Chapman, Peter • *Traders* • 11/01/99 • 7 pages (2300 words) • SUMMARY
Aldo Parcesepe Sr. Managing Director OTC Trading Bear Stearns &

81. 54% **The New Deal; Online auctions deliver good fun and good buys when you play it safe.(Internet/Web/Online Service Information)**
Peterson, Tami D. • *Computer Shopper* • 06/01/99 • 5 pages (1400 words) • SUMMARY
Unheard of just five years ago, online auctions are becoming the most fashionable and, auction junkies say, most fun way to buy everything from computers to movie scripts.

82. 54% **NASDAQ TO OFFER PROPRIETARY TRADING INFO ON WEB.**
Wall Street Letter • 10/19/98 • 2 pages (280 words) • SUMMARY
The Nasdaq Stock Market is seeking to offer daily proprietary trading data to institutional investors on its Nasdaq trader Web site (www.nasdaqtrader.com).

83. 54% **Skewered.(an individual investors describes an experience day-trading stocks)(Brief Article)**
Giese, William • *Kiplinger's Personal Finance Magazine* • 10/01/98 • 4 pages (1200 words) • SUMMARY
For quick energy on my first Monday of day trading I took along a banana. But as things turned

84. 54% **Investing in the cards infrastructure**
Cards International • 03/25/98 • 11 pages (3200 words) • SUMMARY
THE CZECH Republic is one of the largest cards markets in Eastern Europe, with almost 150 cards per 1,000 people in 1996.

85. 54% **Great stocks on sale.(suggested stocks to purchase)(Cover Story)**
Schiffres, Manuel • *Kiplinger's Personal Finance Magazine* • 11/01/98 • 16 pages (5000 words) • SUMMARY
Opportunities to invest in terrific companies at distress prices don't

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The effect of the SEC's order-handling rules on NASDAQ. (Securities and Exchange Commission; National Association of Security Dealers Automated Quotation)

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Document Citation

Van Ness, Bonnie F.; Van Ness, Robert A.; McInish, Thomas H. •
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A study was conducted to examine the impact of the new order-handling rules implemented by the Securities and Commission on the quoting and trading activities of the National Assn of Security Dealers Automated Quotation (NASDAQ). NASDAQ data analyzed covered trading and quotations in Dec 1996 and from Jan 1, 1997 through Mar 1997. Results indicate that the implementation of the Limit Order Display Rule, the Actual Size Rule and the Quote Rule resulted in a decreased number of quoted spread and an increased number of quotes per stock.

I. Introduction

As a result of two academic studies (Christie and Schultz (1994) and Christie, Harris, and Schultz (1994)), on January 20, 1997, the National Association of Security Dealers Automated Quotation (NASDAQ) system began a phased implementation of new Securities and Exchange Commission (SEC) order-handling rules designed to increase the access of individuals to the NASDAQ market and to reduce individuals' transactions costs. The order-handling rules were implemented for the fifty most active stocks on January 20, 1997, for the next fifty most active stocks on February 10, 1997, and for the next fifty most active stocks on February 24, 1997.

The Limit Order Display Rule requires that market makers display investors' limit orders that are priced better than the market maker's quote. This rule makes it possible for investors to trade against limit orders that previously would not have been exposed to the market. The Quote Rule requires market makers to publicly display their most competitive quotes. Previously, market makers might have displayed more favorable prices on proprietary trading systems (PTSs). These PTSs are available only to financial professionals. Note that the Limit Order Display Rule potentially leads to a change in the available supply of limit orders, whereas the Quote Rule does not. The quotes affected by the Quote Rule are already available outside NASDAQ. Hence, the primary effect of the Quote Rule is to increase transparency. Further, the Quote Rule might affect the quotes reported for NASDAQ, but most of the PTS trades are likely already recorded as NASDAQ trades.

The importance of limit orders is apparent from previous work dealing with the New York Stock Exchange (NYSE). Handa and Schwartz (1996) find evidence that trading with limit orders dominates trading with market orders. Harris and Hasbrouck (1992) report that limit orders account for over 54 percent of all orders submitted through SuperDOT, suggesting that limit orders strongly affect the quoted spread.

The Actual Size Rule, which applies to only the first group of fifty stocks, eliminates the

1,000-share minimum quote size for proprietary market maker quotes. This three-month pilot study may lead to narrower spreads by allowing market makers to post quotes that reflect their interest in a stock - as few as 100 shares. Additionally, the expected increase in quote size variability may increase the information content of market maker quotes.

II. Data and Methodology

Our data comprise all trades and quotes on NASDAQ during December 1996 and from January 1, 1997, through March 1997. Also, we use NASDAQ quote data from July 1996 through March 1997 to facilitate a time-series analysis. These data are taken from the NYSE's Trades and Quotes database. Three of the 150 firms implementing the rule changes are missing from our data.

Table 1 enumerates selected characteristics of each group of fifty stocks during December 1996, before implementation of the new SEC rules. The characteristics vary substantially among groups. The number of trades and quotes and the mean stock price decrease for each subsequent sample. On the other hand, the mean spread increases from $0.240 to $0.275, and then to $0.286 for the January 20, February 10, and February 24 samples, respectively.

We examine the effect of the implementation of the new rules on several trade and quote statistics for each group of fifty stocks affected in January and February 1997 and for the combined sample. For each stock i on each day t, we calculate the following variables:

[SPREAD.sub.i,t] = the difference between the best bid and the best ask;

[DEPTH.sub.i,t] = the sum of the quoted size for the best bid and the best ask;

[NQTS.sub.i,t] = the total number of quotes;

[TRDSZ.sub.i,t] = the average number of shares per trade;

[VOLUME.sub.i,t] = the total number of shares traded;

[STDRET.sub.i,t] = the standard deviation of trade-to-trade returns; and

[STDMID.sub.i,t] = the standard deviation of the midpoint of the quote.

TABLE 1. Trade and Quote Statistics Before SEe Rule Implementation.

Number of Sample	Spread	Volume per Quotes	Number of Price	Trade	Trades
January 20	0.240	93	74.1519	1173	1,320
February 10	0.275	62	36.5431	1570	706
February 24	0.286	42	27.7998	1527	378

Notes: The following trade and quote statistics are calculated for the sample stocks in each of the three portfolios during December 1996: mean spread, number of quotes per day, price, volume per trade, and number of trades per day.

For each of these variables we calculate the mean daily observation for each sample firm for each trading day in January, February, and March 1997. Also, we determine [NTRDS.sub.t] - the total number of trades for each sample for day t. Next, for each variable we calculate the mean across stocks for each day and rank these observations. We test for differences between the before and after periods using a t-test on the ranks. This procedure is equivalent

to a Wilcoxon rank sum test.

Next, we calculate the mean quoted spread and the mean number of quotes per stock and the associated t-statistics for each group of fifty stocks for twenty-one days (-10,10) surrounding the rule implementation date, day 0. The standard errors used in calculating the t-statistics are estimated from days -125 to -25.

In the next section we explore how the order-handling rules are likely to affect each of the above variables. We are guided by several assumptions. The Limit Order Display Rule changes the actual orders that are allowed in the market, bringing new competition for existing market makers. By eliminating the 1,000-share minimum quote size on the first fifty stocks, the Actual Size Rule also changes the orders that are allowed in the market. Hence, these rules have the potential to affect both trades and quotes. On the other hand, the Quote Rule simply expands the venues in which dealers are required to display their quotes. Since these quotes were not previously shown to the market, this rule will affect observed quote behavior. However, little effect is expected on reported trades since most PTS trades are already reported as a part of NASDAQ volume.

[TABULAR DATA FOR TABLE 2 OMITTED]

III. Analysis and Results

The purpose of the Limit Order Display Rule is to insure that nondealers who are willing to trade at better prices than dealers have their orders shown to the market. The purpose of the Actual Size Rule is to allow market makers to post quotes that reflect their interest in a stock. The purpose of the Quote Rule is to insure that dealers' best bids and offers are displayed to the entire market. All of these rules should lead to smaller spreads. The results are reported in Table 2. Each sample, including the combined sample, has a large and statistically significant decline in spreads from the before period to the after period.

Most individual investors trade in smaller sizes. Hence, we expect the Limit Order Display Rule to decrease quoted sizes for bids and offers, reducing quoted depth. Additionally, we expect the implementation of the Actual Size Rule to decrease quoted depth for the stocks affected. On the other hand, the Quote Rule will cause more larger institutional orders to be displayed, increasing reported depth. The relative size of these opposing effects is an empirical question. The results reported in Table 2 show a strong and statistically significant decrease in quoted depth between the before and after periods in all samples. This finding of decreased quoted depth in all samples is interesting since only the first group of fifty stocks is subject to the Actual Size Rule. Therefore, we can infer that the decrease in quoted depth brought about by the Limit Order Rule outweighs the increase in quoted depth brought about by the Quote Rule.

The Limit Order Display Rule and the Actual Size Rule increase the number of small quotes, and the Quote Rule increases the number of large quotes. Since all three of the order-handling rules increase the number of observed quotes, we expect to see a dramatic increase in this measure. The results in Table 2 satisfy this expectation; each sample shows a large and statistically significant increase.

For reasons similar to those cited for depth, we are uncertain about whether average trade size will increase or decrease. We find that trade size decreases for the January and combined samples. This reduction in trade size is likely the result of an increase in small trades due to

limit-order placement and/or the institution of the Actual Size Rule.

Although the Quote Rule does not affect the number of reported trades, we expect the availability of better quotes under the Limit Order Display Rule to increase the number of trades. Because of the Limit Order Display Rule, orders that previously might have been executed against a single, but less favorable, quote may now be executed against more favorable, but smaller, quotes with only the remaining portion of an order executing against the less favorable quote. Therefore, we expect an increase in the number of trades resulting from the implementation of the Limit Order Display Rule. The results show a statistically significant increase in the number of trades for the stocks implemented January 20 and for the overall sample. we find a positive increase that is not statistically significant for the stocks in the February 10 sample. The increase in number of trades more than offsets the decline in trade size for the January 20 and combined samples, resulting in a statistically significant increase in volume.

Number of shares traded (volume) is the product of the number of trades and the average number of shares per trade. The results for volume reported in Table 2 are mixed. The increases for the January and combined samples are statistically significant, but the changes for the February samples are not statistically significant.

McInish and Wood (1993) report that in comparing a dealer market such as NASDAQ with a limit-order-book market as the NYSE, the dealer market spreads tend to be wider but firmer. In a limit-order-book market a large number of small orders appear and are quickly executed. These small limit orders reduce bid-ask bounce for small traders but do not have much effect on the transactions costs of large traders. The effect of the new SEC rules is to move the NASDAQ system toward a system more like that of the NYSE. We expect a decrease in the standard deviation of trade-to-trade prices and in the standard deviation of the midpoint of the bid and ask. Both the February samples and the combined sample demonstrate a decrease in the variability of trade-to-trade returns, and these declines are statistically significant for the February 24 and combined samples. These findings are consistent with the findings of McInish and Wood (1993). We also find a statistically significant decline in the variability of returns calculated using the midpoint of the bid and ask for the February samples. However, we find an unexpected increase in the variability of midpoint returns for the January and combined samples, which may be the result of the implementation of the Actual Size Rule.

The results of the day-by-day analysis are presented in Table 3. For each sample the implementation of the new rules results in a dramatic reduction in the quoted spread on day 0 and spreads remain at significantly lower levels for each of the three groups. Similarly, the mean number of quotes per stock increases almost threefold on day 0 and continues at a substantially increased level thereafter.

IV. Summary and Conclusions

The NASDAQ system began a phased implementation of new SEC order-handling rules on January 20, 1997. The purpose of these rules is to increase the access of individuals to the NASDAQ market and to reduce individuals' transactions costs. The Limit Order Display Rule requires that market makers display investors' limit orders when they are priced better than the market maker's quote. This rule makes it possible for investors to trade against limit orders that [TABULAR DATA FOR TABLE 3 OMITTED] previously would not have been

exposed to the market. The Quote Rule requires market makers to publicly display their most competitive quotes. The Actual Size Rule, a three-month pilot study that applies only to the first group of fifty stocks, eliminates the 1,000-share minimum quote size for proprietary market maker quotes.

We test the effect of the rules' implementation on each group of fifty stocks affected by the new rules in January and February 1997 and the combined sample. As expected, the number of reported quotes increases and the bid-ask spreads decrease. The decreased quoted depth associated with the placement of individual investors' limit orders - the Limit Order Display Rule - outweighs the increased quoted depth associated with displaying institutional quotes - the Quote Rule. After implementation, the number of trade executions increases while the average trade size decreases for the January sample, but this finding does not hold for the February samples.

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An empirical examination of the Nasdaq/CHX dual-trading experiment.(National Association of Securities Dealers Market System; Chicago Stock Exchange)

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SEC Rule 19c-3 sanctioned the dual trading of select National Assn of Securities Dealers (NASDAQ)-listed equities on both the NASDAQ Market System and the Chicago Stock Exchange (CHX) in an experimental program. The pilot program allowed costs and benefits of competition between dealer and specialist market structures to be directly observed. Thus, a study compared quoting and trading activity of the NASDAQ and CHX on the stocks included in, and later added to, the NASDAQ/HX dual-trading experiment in attempting to contribute to the understanding of the effects of market structure on prices trading costs and volatility. Results indicate that this pilot exerted both a short- and long-term impact on the execution costs linked to the buying/selling of NASDAQ-listed equities.

1. Introduction

The purpose of this study is to advance the understanding of the influences of market structure on prices trading costs and volatility. We do this by comparing Nasdaq and CHX quoting and trading activity on the stocks included in, and later added to, an experimental dual-trading program.

Studies by Demsetz (1968) and other researchers such as Garman (1976) and Amihud and Mendelson (1980) have added to our understanding of the influences of alternative trading structures on the competition for order flow and the overall costs of trading. In a study of the cost differences associated with intermarket trading, Lee (1993) demonstrated that the point of execution of a specific order can have a significant effect on the ultimate trading price.

Neal (1992), Huang and Stoll (1996), and Goldstein (1994) study similar stocks and options traded in differing institutional environments to examine the differences in trading costs between competitive market makers and specialist market structures. Neal analyzes options that trade on either the American Stock Exchange (Amex) or the Chicago Board Options Exchange (CBOE). He concludes that spreads on the Amex are significantly lower than those on the CBOE for relatively low-volume options, but that the cost advantage diminishes as transactions volume increases. Huang and Stoll (1996) study closely matched equities trading on either the New York Stock Exchange (NYSE) or the Nasdaq. Like Neal, they find that the overall cost of trading is higher on Nasdaq than on the NYSE. Goldstein compares NYSE and Nasdaq NMS stocks and finds that, even when he controls for commissions, the NYSE has smaller spreads than Nasdaq.

Cohen and Conroy (1990) empirically test the effects associated with the July 1980 implementation of SEC (Securities and Exchange Commission) Rule 19c-3. This rule, which

allowed both NYSE brokers and OTC dealers to establish off-board markets in select NYSE-listed equities,(1) was the first dual-trading experiment sanctioned by the SEC. Although this program was terminated after the first quarter of 1984, Cohen and Conroy show lower percentage bid-ask spreads and higher daily return variances for stocks affected by the dual-trading program. Cohen and Conroy conclude that their "empirical results reflect the basic problems associated with increasing competition in a manner that also results in increased market fragmentation."

Lau, McCorry, McInish, and Van Ness (1996) use closely matched portfolios to assess the mean differences in quoted spreads for equities that trade on both the Nasdaq and the CHX with those that trade only on Nasdaq. However, Lau, McCorry, McInish and Van Ness were not able to identify the specific location of each trade and quote, and thus could not directly observe the influence of the dual-trading program on actual cross-market quoting behavior.

Van Ness, Van Ness, and Hsieh (1999) use Nasdaq audit trail data to analyze trade execution costs and price improvement for stocks that trade on both the Nasdaq and CHX. Using 26 trading days in 1995, they find that the CHX has lower execution costs and greater price improvement for both buys and sells and for trades of at least 1,000 shares. Our study differs from Lau, McCorry, McInish and Van Ness (1996) and Van Ness, Van Ness, and Hsieh (1999) in three ways: We identify the location of trades and quotes; we use an extended time series; and we analyze firms included in, and later added to, the dual-trading program.

The experimental SEC program that sanctioned the dual trading of a select subset of Nasdaq equities on both the Nasdaq and the Chicago Stock Exchange (CHX)(2) "opened for trading" on May 18, 1987. The program established a natural experiment in which the costs and benefits of competition between dealer and specialist market structures could be directly observed. A data set such as this can help us determine if direct competition between exchange specialists and competitive market makers has altered the volatility of the dual-traded equities. We can also find out if there are systematic differences in the timing, magnitude, and distribution of spreads provided by competitive market makers compared to those provided by specialists on the same stocks. Further, we can determine whether traders who use the CHX benefit from reduced trading costs, and if CHX specialists attract a significant number of trades from the Nasdaq.

2. The Nasdaq/CHX dual-trading program

The reasons underlying the implementation of the Nasdaq/CHX experiment were similar to those that preceded the passage of SEC Rule 19c-3. Both were attempts to increase competition in the securities industry while simultaneously moving toward Congress's stated 1975 goal of achieving a National Market System. However, since the 19c-3 experiment failed, it is important to note the differences between the two dual-trading programs. First, Rule 19c-3 allowed for the off-board trading of a select group of NYSE-listed equities by both NYSE exchange member brokers and OTC market makers. In contrast, the Nasdaq/CHX experiment granted CHX exchange specialists the ability to trade certain equities that, prior to the experiment, had been traded exclusively by Nasdaq market makers. Thus, Rule 19c-3 attempted to increase competition in the securities industry.

Second, Rule 19c-3 did not require public posting of off-board trades and quotes. The Nasdaq/CHX experiment requires the price quotes of CHX specialists be displayed alongside

the quotes of market makers on the Nasdaq system.

Third, since Rule 19c-3 applied only to NYSE firms listed after April 26, 1979, it did not include the most active exchange-listed equities, but the Nasdaq/CHX experiment targets only the largest and most actively traded OTC stocks.

The public posting of off-board trades and quotes and the inclusion of the largest and most active Nasdaq stocks are important in the present context because, as Cohen and Conroy (1990) note, "(w)hile the SEC's attempt to promote competition among market makers (via Rule 19c-3) did not succeed . . . there is no way of knowing what the results might have been if the broker-dealers had been allowed to make off-board markets for actively traded stocks, such as IBM or GM, if a better linkage system had been available, or if a suitable order-exposure rule had been implemented."

The Nasdaq/CHX dual-trading program was designed to be a one-year experiment involving only 25 Nasdaq issues. The following excerpt, taken from the April 30, 1987 issue of The Wall Street Journal, discusses the initiation of the dual-trading program:

As expected, the SEC also voted to allow the Midwest Stock Exchange (MSE) to conduct a one-year experiment in trading over-the-counter stocks. The commission granted the (MSE) unlisted trading privileges in 25 stocks currently listed on the (Nasdaq) system.

At yesterday's meeting, Commissioner Charles Cox called the (MSE's) pilot program "a step in the right direction" toward a national market system as envisioned by Congress in 1975. SEC Chairman John Shad predicted the plan would "increase competition in the marketplace" and create more liquid markets for the 25 OTC stocks, including Apple Computer Inc., MCI Communications Corp., and Lotus Development Corporation.

In Chicago, (MSE) officials said OTC trading will begin May 18. Price quotes from specialists on the (MSE) floor will be displayed along with the quotes of OTC market makers on the Nasdaq system. Securities industry officials say it is difficult to predict whether (MSE) specialists can capture much business from the OTC market makers, or whether increased competition will benefit OTC investors by narrowing the spread between the bid and offer prices.

More than 10 years later, the "one-year" experiment continues and has been expanded, first to 100 stocks and later, in April 1997, to 477 stocks.

3. Data

We obtain all trades and quotes from the New York Stock Exchange's TAQ (Trades and Quotes) database. This database provides trades and quotes for all firms trading on both the NYSE and the Amex, and for many of the firms that trade on Nasdaq.

We analyze two separate samples of firms. The first sample comprises all trades and quotes for the 100 Nasdaq stocks that trade on both the CHX and Nasdaq for November 1993, 1994, and 1995, and June 1994, 1995, and 1996. We use this sample to analyze time series trading differences across the two exchanges.(3)

The second sample consists of all trades and quotes for the 30 trading days before and after

the initial inclusion date for each of the 30 firms added to the [TABULAR DATA FOR TABLE 1 OMITTED] program over the 1994-1996 time period. The data for this sample ranges from December 1993-June 1996. We identify a matched sample, align the matched sample in event time, and use comparative statistics to analyze changes in trading and quoting behavior resulting from the addition to the dual-trading program. We choose control firms from the stocks that have already been included in the dual-trading program and match according to SIC code.

The research department at the CHX provided the firms included in the Nasdaq/CHX experiment. Although 477 stocks are currently included in the dual-trading program, prior to April 1997 only 100 stocks were eligible for dual trading. The specific stocks traded by the Chicago specialists has changed several times through the years as stocks have been delisted due to mergers, failures, and exchange changes. Table 1 lists the stocks added to the program from 1994-1996.

4. Empirical results

We use the quoting behavior of the entire dual-trading sample to examine the long-term effects of the dual-trading program. We examine the short-term effects of inclusion in the program by observing and comparing changes in the 30 stocks and a control portfolio. We discuss the effects of the dual-trading program on exchange market share, spreads, return volatility, and odd-eighth quoting behavior in the following sections.

4.1. CHX market share

Table 2 presents a summary of the mean monthly market share of CHX specialists' trading activity in the 100 dual-trading stocks for the six months used in this study. Table 2 shows that the CHX's specialists failed to capture a significant share of the dual-traded market. The specialists' market presence is relatively small (less than 0.8%) in November 1993, and declines throughout the remainder of the sample period. By June 1996, the trades handled via CHX specialists account for only 0.18% of the total trading volume of the dual-traded issues.

There are many reasons why the CHX might not be capturing a significant market share. The CHX might not be capturing a significant market share because its specialists are not quoting competitively, because of trade preferencing, payment for order flow, or soft dollar usage.

4.2. Spread effects

One of the major goals of the Nasdaq/CHX experiment was to "benefit OTC investors by narrowing the spread between the bid and offer prices." To determine whether bid-ask spreads are reduced for the dual-traded issues, we study quoted and percentage spreads of both CHX specialists and Nasdaq market makers for the 100 dual-traded stocks. We obtain the mean daily spread measures for each stock on each market and calculate each market's overall mean as an equally weighted portfolio of the 100 stocks. Table 3 reports our findings.

Table 2 Mean number of daily trades and percentage market share for the 100 firms in the Nasdaq/CHX experiment, for the months of November 1993, 1994, and 1995, and June 1994, 1995, and 1996 This table contains the total number of trades and percentage of the total trades, i.e., market share, for the 100 stocks on Nasdaq and CHX.

	Nasdaq		CHX	
	Trades	Market Share	Trades	Market Share
11/93	945,328	99.22%	7,436	0.78%
6/94	978,048	99.25	7,399	0.75
11/94	1,021,635	99.29	7,302	0.71
6/95	1,477,455	99.64	5,356	0.36
11/95	1,934,808	99.80	3,806	0.20
6/96	1,715,203	99.82	3,032	0.18
Total	8,072,477	99.58%	34,331	0.42%

Panel A shows that the CHX specialists' mean quoted and percentage spread are lower than those of Nasdaq market makers. Overall, 65 of the 100 stocks consistently had lower mean spreads on the CHX. The differences between the two mean spread levels are significant at the 0.01 level. These results are consistent with those reported by Huang and Stoll (1996), who find that trading costs are higher on Nasdaq than on specialist-based systems such as the CHX or the NYSE.(4)

Table 3

Quoted spread, percentage spread, and intradaily quoting activity on the Nasdaq and the CHX for the 100 firms in the Nasdaq/CHX experiment, for the months of November 1993, 1994, and 1995, and June 1994, 1995, and 1996

Panel A compares the mean quoted spread and mean percentage spread on the Nasdaq and CHX during the six sample months. We define the quoted spread as the ask minus the bid. The percentage spread is the quoted spread divided by the quote midpoint. We calculate the mean spread measure daily on each market for each of the 100 stocks. We then calculate the overall market means as equally weighted portfolios. Panel B compares the intraday number of quotes for all 100 stocks and intraday proportion of quotes for each 30-minute time interval for the two markets.

Panel A: Mean Quoted and Percentage Spreads for Nasdaq and CHX

	Nasdaq	CHX	Difference	t-statistic
Mean Quoted Spread	0.2643	0.2423	0.0220	13.01(*)
Mean Percentage Spread	0.0080	0.0076	0.0004	5.36(*)

Panel B: Number of Quotes and Percentage of Total Quotes for Nasdaq and CHX, by Time of Day

Time	Nasdaq		CHX	
	Number	Percentage	Number	Percentage
9:30-10:00	70,970	15.16	944	17.94
10:00-10:30	51,208	10.94	593	11.27
10:30-11:00	41,521	8.87	498	9.46
11:00-11:30	35,516	7.59	424	8.06
11:30-12:00	31,002	6.62	365	6.94
12:00-12:30	28,691	6.13	280	5.32
12:30-1:00	24,792	5.30	268	5.09
1:00-1:30	23,543	5.03	202	3.84
1:30-2:00	25,484	5.44	213	4.05
2:00-2:30	27,309	5.83	251	4.77
2:30-3:00	31,268	6.68	321	6.10
3:00-3:30	36,550	7.81	441	8.38

3:30-4:00	40,272	8.60	463	8.50
Total Quotes	468,126	100.00	5,263	100.00

[[Chi].sup.2] goodness-of-fit test of equal distributions: 87.65(*)

* Indicates statistical significance at the 0.01 level.
[TABULAR DATA FOR TABLE 4 OMITTED]

The figures reported in Panel A present an overview of the mean quoted spread differences between dealer and specialist markets on the same equity issues. Panel B presents the number of quotes and percentage of total quotes posted by Nasdaq market makers and CHX specialists in 30-minute increments. There is a considerable difference between the total number of quotes posted: 468,126 by Nasdaq market makers compared to 5,263 posted by the CHX specialists. The [[Chi].sup.2] goodness-of-fit test for equal distributions is rejected at the 0.01 level. However, a plot of the data [ILLUSTRATION FOR FIGURE 1 OMITTED] shows that the intraday quote placement in both markets has the U-shaped pattern documented by McInish and Wood (1992).

Table 4 shows the issue of the impact of the presence of CHX specialists on quoted spreads by comparing the mean quoted spread prior to inclusion in the dual-trading program with the post-inclusion spread. Table 4 compares the mean quoted and percentage spreads for the 30 firms added to the Nasdaq/CHX dual-trading program over the 1994-1996 time period with the mean spread measures for the matched sample 30 days before and 30 days after inclusion. The table shows the presence of the CHX specialists results in a statistically significant reduction in the mean quoted and percentage spreads for these 30 equity issues included in the dual-trading program. The control firms register less dramatic and insignificant decreases in mean quoted and percentage spreads.

The results presented in Tables 3 and 4 provide evidence that CHX specialists reduce mean absolute quoted spread levels for the dual-traded issues in the short term - at time of inclusion in the program - as well the long term - for the entire sample over the extended time-series. Consequently, the program can be considered successful in its goal to "benefit OTC investors by narrowing the spread between the bid and offer prices" on these issues. However, as Table 2 shows, the CHX specialist is unable to capture a significant portion of the market share.

4.3. Mean daily quote effects

Table 5 presents tests of the effects of Nasdaq/CHX dual trading on the mean daily number of quotes posted for the firms added to the program during 1994, 1995, and 1996. There is no evidence that firms added to the Nasdaq/CHX experiment experience statistically significant changes in mean daily quotes. Although the mean number of quotes increases following inclusion in the program, statistically insignificant increases are also registered by their selected control counterparts.(5)

4.4. Volatility effects

One of the findings associated with the SEC's earlier Rule 19c-3 dual-trading experiment concerned statistically significant increases in the day-to-day variance of equity returns. Cohen and Conroy's (1990) analysis of Rule 19c-3 suggests that quoted spreads fall following institution of the rule. Their variance tests "reflect the basic problems associated with increasing competition in a manner that also results in increased market fragmentation." Theoretical work by Cohen, Maier, Schwartz, and Whitcomb (1982) and Mendelson (1987)

suggests that market fragmentation tends to increase the variance of security returns.

[TABULAR DATA FOR TABLE 6 OMITTED]

Panel A of Table 6 presents the results of tests for changes in the mean daily standard deviation of close-to-close equity returns for the 30 firms added to the Nasdaq/CHX dual-trading program, and for the 30 selected firm matches. As evidenced by the low F-test values, inclusion in the Nasdaq/CHX list does not appear to increase the post-event volatility of the sample firms, either for the overall sample or for each individual year. Also, since there are no statistically significant changes in the measured volatilities of the control firms over the same time intervals, there is no support for the hypothesis that the "fragmentation" of the order flow of the newly added issues across two entirely different institutional trading structures results in undesirable changes in security-specific return variances.

To examine the issue of net changes in inclusion firm return variances relative to the changes registered by their control counterparts, we divide the computed pre- and post-inclusion daily standard deviations of returns for each added stock by the same metrics for each firm match. We then rank the daily ratios for 30 days before and 30 days after inclusion and perform a t-test on the resulting ranks. We use this test, which is functionally identical to the Wilcoxon rank sum test, to determine the statistical significance, if any, of the variance changes of the added firms relative to the volatility changes registered by their controls. Panel B shows no evidence that the added firms experience statistically significant increases in return volatility compared to their controls.

Table 7 Incremental quotes We calculate the number of quotes at each eighth quoting increment. We compute a [[Chi].sup.2] on the percentage of quotes at each increment between the CHX and Nasdaq.

CHX Increment	Number	Nasdaq Percentage	Number	Percentage
0/8	583	11.80	45,969	9.82
1/8	726	13.79	86,118	18.40
2/8	561	10.66	42,543	9.09
3/8	638	12.12	88,238	18.85
4/8	542	10.30	33,268	7.11
5/8	776	14.75	61,636	13.17
6/8	638	13.03	45,951	9.82
7/8	751	14.27	64,403	13.76

[[Chi].sup.2] = 68.5656

Results in Table 6 do not support for the position that the addition of CHX specialists to the previous institutional trading structure for Nasdaq firms adversely affects the volatility of the dual-traded equities. Although our findings counter those of Cohen and Conroy (1990), they support more recent work on the volatility effects of market fragmentation conducted by researchers such as McInish and Wood (1996).

4.5. Odd-eighth quoting behavior

Christie and Schultz (1994) and Barclay (1997) show that on the Nasdaq, the frequency of even-eighth quotes is much higher than on the NYSE. They conclude that there is implicit collusion among Nasdaq dealers. This line of reasoning is supported by Christie, Harris, and Schultz (1994), Bessembinder and Kaufman (1997), and Christie and Schultz (1999). Other

researchers argue that covert collusion is not necessarily implied by the less-frequent use of odd-eighth quotes. Grossman, Miller, Cone, Fischel, and Ross (1997) suggest the more-frequent use of even-eighth quotes could be the result of natural price clustering or coarser price grids. Furbush (1995), Kleidon and Willig (1995), Laux (1995), Godek (1996), and Huang and Stoll (1996) suggest that collusion is not likely in a market with many competitors and easy entry.

We calculate the number of quotes at each of the eighth quoting increments for the 100 dual-traded securities. We find that Nasdaq has a smaller proportion of odd-eighth quotes than does the CHX. We perform a [[Chi].sup.2] test of the differences in the distributions of the quotes between Nasdaq and the CHX and find that the distribution of the quotes on the two exchanges are different (Table 7).

5. Conclusions

Our study documents the impact of the SEC's Nasdaq/CHX experiment. In designing this experiment, the SEC addressed many of the criticisms voiced by securities industry observers and academic researchers as a result of the failure of the earlier Rule 19c-3 experiment. For example, Rule 19c-3 did not require public posting of off-board trades and quotes, but the Nasdaq/CHX experiment specifically required that price quotes from the CHX specialists be displayed alongside those provided by Nasdaq's market makers. More importantly, the stocks included in the Nasdaq/CHX dual-trading program were the most actively traded Nasdaq equities.

We find that the Nasdaq/CHX experiment has been successful in fulfilling one of its major goals, that of benefiting OTC investors by narrowing the spread between the bid and offer prices. We find that the Nasdaq/CHX dual-trading program has had both a short-term and long-term impact on the execution costs associated with the buying and selling of Nasdaq-listed equities. We find smaller spreads on the CHX than on Nasdaq for the dual-trading issues. Further, we observe that a stock's mean spread falls when the stock is added to the dual-trading program. We hypothesize that this finding is a result of lower CHX spreads, because to execute a trade, the Nasdaq market maker must match the best quote currently outstanding.

It is interesting that the CHX is not capturing more market share, given our finding of lower spreads. According to an anonymous CHX official, this has been a source of intense frustration. There appear to be issues other than the cost of transacting that may affect order flow.(6) If the goal of the SEC is to increase competition in this program, issues of order preferencing, payment for order flow, and order routing (e.g., trades not being sent to the market makers with the best quotes) must be addressed.

1 Because of strong disagreement over the effects that this change could have on the quality of the securities market, the SEC restricted off-board trading to only those NYSE issues listed on the exchange after April 26, 1979.

2 Prior to July 1993, the Chicago Stock Exchange was known as the Midwest Stock Exchange.

3 Because of limitations on computer resources and data availability, we had to use a subsample of the entire time. However, this should not introduce any systematic biases.

4 The quoted spread is higher on Nasdaq than on the CHX for five of the six

tested months.

5 We performed tests for changes in mean daily quote levels for calendar years 1994, 1995, and 1996 separately, but these tests yielded no evidence of statistically significant changes in total mean quote levels.

6 Unfortunately, none of the CHX specialists interviewed were willing to make on-the-record statements concerning their apparent inability to capture significant market share from the Nasdaq markets.

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Assignor	Exc Date	Assignee :	Return Address :
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KETCHUM, RICHARD G. BERKELEY, ALFRED R., III	07/09/1999 07/09/1999	NASDAQ STOCK MARKET, INC., THE 1735 K STREET, N.W. WASHINGTON DC 20006	FISH & RICHARDSON, P.C. DENIS G. MALONEY 225 FRANKLIN STREET BOSTON, MASSACHUSETTS 02110-2804

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Most traders want to level the proverbial playing field on Nasdaq. Only no one can agree on how to do it.

Buy-side traders want limit-order protection, price transparency and a more-centralized market. Broker dealers and market makers complain about unfair competition from electronic communications networks (ECNs) and day traders.

So first, the National Association of Securities Dealers' introduced its NAqcess proposal, a failed small-order execution system. Then there was the recently-shelved limit-order book, which would have provided a central facility for the execution of limit orders.

Now it's the so-called agency-quote proposal.

The NASD hopes its newest proposal for the handling of limit orders allowing market makers a second quote for agency orders will satisfy both buy-side and sell-side traders, while maintaining access, choice and transparency in the market.

But many traders on the buyside and sellside, while supporting the new agency-quote proposal, do not feel it's a permanent solution.

"I don't think it's a long-term fix," said George Jennison, head of Nasdaq trading at Wheat First Union in Richmond, and a former member of Nasdaq's Quality of Markets Committee. Jennison recently completed a three-year term on the committee, during which time the NASD designed both the limit-order book and the new proposal.

"It seems like another step," Jennison added. "It doesn't smell like a long-term solution. It's hard to believe having two different quotes will solve all the problems in our market."

Bart Green, manager of over-the-counter trading at Edward Jones in St. Louis, also feels the proposal is just a small step toward improving the market.

"There is probably a better way of doing things," Green said. "It's a positive proposal when you compare it to the current market. But doubling the number of quotes could muddy the waters."

Both Jennison and Green like most sell-side traders are at least satisfied the new proposal has replaced the limit-order book, which would have competed with market makers for orders.

Many buy-side traders, on the other hand, favored the limit-order book, and were disappointed with its failure.

"I was in favor of the limit-order book," said a buy-side member of the Quality of Markets Committee, who requested anonymity. "The buyside wasn't vocal in supporting it, and the sellside made their voices heard. The agency-quote proposal is just a step. I still hope Nasdaq gets some reasonable facsimile of a limit-order book."

Harold Bradley, a portfolio manager at American Century Investment Management in Kansas City, and a buy-side member of the Quality of Markets Committee, blamed many market makers for the failure of the limit-order book.

"Market makers are trying to preserve their economic self-interest," he said. "They all want to roll back the clocks and trade the way they've always traded. But they ought to figure out what's best for the market."

The Proposal

As currently envisioned, the agency-quote proposal would allow each Nasdaq market maker to publicly display agency orders to the market in a second quote, separate from the market maker's proprietary quote.

Firms would establish a second acronym or market-maker identifier in stocks in which the firm makes a market. One-sided agency quotes would be allowed, and any customer order could be included in the second quote, including institutional-sized orders. Agency quotes would be automatically executed through the Nasdaq system.

Currently, when a market maker places an order in the market, it is displayed in its public quote with the acronym MM1, for instance. Under the order-handling rules, a market maker is forced to either display a better-priced agency order in its proprietary quote, or place it in an ECN.

A market maker does not charge an access fee when its quote is hit in the market. But when a market maker hits a quote in an ECN, on the other hand, the ECN can charge a fee.

The new proposal would effectively provide each market maker with its own mini-ECN to display customer orders. The market maker would be allowed to post two quotes a proprietary quote, or MM1, and an agency quote, or MM1A. The best-priced quote would be given priority, and the market maker would not be allowed to trade ahead of a customer order.

The Securities and Exchange Commission does not currently allow market makers to charge access fees. But under the agency-quote proposal, market makers would likely be given the option of charging fees to counterparties accessing their agency quotes, putting market makers on equal footing with ECNs.

The Charges

But adding fees on Nasdaq is potentially a controversial issue. A third buy-side member of the Quality of Markets Committee, also requesting anonymity, expressed concern about the fees.

"The ECNs charge access fees, and the SEC supports that. The dealers can't charge fees, and they say it isn't a level playing field," the committee member said. "But if Nasdaq moves to add fees under the new proposal, the market will be more expensive, and that hurts competition with other markets. And it's the buyside the eventually has to pay the fees."

But Jennison said the new fees could create a system of debits and credits for order flow, which would effectively neutralize access fees.

"It will be an educational process," said Bernard Madoff, chairman and founder of Bernard L. Madoff Investment Securities. "All market makers will charge or none will charge. Competition will keep fees reasonable to compete with ECNs."

The Integration

Tied to the proposal is a measure to integrate SelectNet and the Small Order Execution System (SOES) on an interim basis.

SelectNet would be converted into a non-liability system for order delivery and negotiation only. Orders would be sent through SelectNet only if they exceed the displayed quote to which they are directed by at least 100 shares. Recipients would be allowed but not required to execute against the orders.

With some modifications, SOES would become Nasdaq's new execution system. The maximum-sized order would be increased from 1,000 shares to 9,900 shares, and market makers would no longer be prohibited from using SOES on a proprietary basis. The 17-second delay between executions against the same market maker would be reduced.

The NASD approved 90 percent of the proposal in a December 11 meeting. The rest of the proposal, concerning the fees market makers may charge for accessing agency orders, was approved by the NASD in a January 21 meeting.

The proposal is subject to final approval by the SEC.

The Approval

Madoff, one of the most outspoken opponents of the limit-order book, supports the agency-quote proposal.

"I don't think anybody will have a problem with it," he said. "The biggest problem with the market was the ECNs charging fees, while the market makers couldn't. This proposal, as filed, is completely fair, and it's something everybody can stand behind. This solves it."

Others are not quite so sure.

Jennison, while generally supporting the proposal, thinks it will further fragment the market. "What's crazy is the doubling of quotes," he said. "If I was a buy-side trader, I would think it could get confusing to see two markets posted for every firm. The fragmentation of the market is something that still needs to be addressed."

Paul Pantalena, head trader at money manager Columbus Circle Investors in Stamford, said

fragmentation should be avoided. He supported the limit-order book because of its proposed centralization of Nasdaq.

But he's not looking at the agency-quote proposal as a possible solution.

"I'm sick of Nasdaq proposals," he said. "When it's close to reality, I'll get more interested in it. Nasdaq is a changing market. They've proposed a lot of things that never came to fruition. I'm in favor of anything that will centralize order flow and make quotes accessible. But it remains to be seen whether that will happen."

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NASD: NASD board approves agency quote proposal and interim approachto SOES/SelectNet integration.
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Washington, D.C. -- The National Association of Securities Dealers, Inc. (NASD), today announced that its Board has approved a proposal that will allow Market Makers, for the first time, to display publicly a second quotation separate from their proprietary quotation in The Nasdaq Stock Market. The Board has also agreed to implement an interim approach to the integration of two automated trade execution systems: the Small Order Execution System (SOESSM) and SelectNetSM. These actions will enhance market transparency and create new incentives for Market Makers in the Nasdaq market.

Known as the "Agency Quote" proposal, the purpose of this proposal is to display customers' interest by facilitating the display and execution of agency orders in the marketplace. It will accomplish the goal of displaying customer orders publicly, provide electronic access to these quotes, and maintains the ability of customers to choose which participants should handle their orders. The measure is now subject to approval by the SEC.

"We believe this proposal allows Market Makers to more effectively represent their customers' orders directly in the Nasdaq quote montage," said Frank G. Zarb, Chairman and CEO of the NASD. "It will also provide a new choice to investors -- including institutional investors -- who would have the ability, through their broker/dealer, to access the marketplace directly. At the same time, firms will be allowed to control their proprietary quotes, while still complying fully with SEC limit order display requirements."

The particulars of how the Agency Quote concept would be implemented are as follows: * Entitlement: Market Makers would be permitted to establish a second Market Maker identifier (MMID) for agency quotes in stocks in which the firm makes a market. One-sided agency quotes would be permissible.

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SelectNet will be transformed into a non-liability system for purposes of order delivery and negotiation only. This will be accomplished by allowing orders to be transmitted through SelectNet only if they are at least one normal unit of trading (i.e., 100 shares) in excess of the displayed quote to which they are directed. As a result, such oversized orders would not be subject to Firm Quote Rule liability, although recipients may still execute against them if they choose, or initiate electronic negotiation.

The SOES system will become the new Nasdaq execution system and will be substantially enhanced as follows: First, the maximum order size that may be entered into the Nasdaq execution system will be increased to 9,900 shares, from the old tier size maximum of 1,000 shares. Second, Market Makers would no longer be prohibited from using the Nasdaq execution system on a proprietary basis. Third, the 17-second interval delay in SOES between executions against the same Market Maker will be significantly reduced. Fourth, Nasdaq will modify the Nasdaq execution system to permit interaction of orders against the existing "reserve size" functionality while yielding priority to displayed quotes at the same price, and Market Makers would be given the option of having their quotes refreshed from reserve size at a size of their choosing, instead of the old tier sizes.

The interim approach will accomplish much of the same goals of the original integration plan, while still maintaining SelectNet as a negotiation system. Most importantly, because the interim approach leverages the existing Nasdaq system, Nasdaq would not require as much programming as it would under the NODES proposal. This would allow us to provide, as quickly as possible, the capabilities of a single execution system available for everyone that avoids multiple executions from disparate systems.

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Locked and Crossed Markets.
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Locked and crossed markets are a reality of Nasdaq trading. They always have been.

But in recent months - with online investors flooding the market with orders, and some electronic communications networks (ECNs) refusing to trade with certain market makers - markets in Nasdaq stocks are locking more frequently than ever before.

"Firms are locking the markets without trying to reach the other side, and ECNs aren't trading with some market makers because they refuse to pay [access] fees," said Nicholas Ponzio, managing director of Jersey City-based market maker Hill, Thompson, Magid & Co.

"These problems didn't exist in the past. It's dissecting the market."

In normal situations on Nasdaq, the best bid, or buying price, is slightly lower than the best offer. The difference is the market maker's spread. But when a market becomes locked or crossed, the best bid will be at the same price as the best offer, or higher.

So in a normal situation, the best bid on ABC Corp., for instance, could be $10 a share, with the best offer higher, at $10 1/4. In a locked market, the best bid and the best offer would both be at $10. In a crossed market, the best bid would be at $10 1/4, with the best offer lower, at $10.

According to the National Association of Securities Dealers, Nasdaq averaged 104 daily locked or crossed markets of one minute or more in January. Nasdaq averaged 51 locked or crossed markets a day last August, and only 22 daily locked or crossed markets the previous January.

Averaged out, three-tenths of one percent of all daily quotes on Nasdaq were locked and crossed for a minute or more in January.

Last August, only two-tenths of one percent of all daily Nasdaq quotes locked. In January of 1998, just one-tenth of one percent of all daily quotes locked or crossed the market.

With 327,303 Nasdaq inside-quote updates a day this January, 104 locked or crossed markets may seem insignificant. But tripling in frequency over last year, locked markets have become a greater frustration for market makers and broker dealers seeking executions.

"It's a real problem," said Ben Marsh, managing director of over-the-counter trading at Adams, Harkness & Hill, a Boston-based market maker. "The system is out of whack. It's got to be cleaned up somehow."

Market makers and broker dealers cite two factors for causing the tripling of locked and crossed markets over the last year: the boom in online orders, and ECNs refusing to trade with certain market makers which have not paid access fees.

Online Exuberance

According to London-based Reuters Corp., first quarter online trading volumes in the U.S. rose more than 30 percent from the fourth quarter of 1998, to 450,000 trades a day. That surge in online trading volume came despite overall market volume rising less than five percent.

With online volume booming, broker dealers handling online order flow have struggled with the glut of new business.

"There are so many more participants, so much order flow, so much business," said Dan Kravits, director of Nasdaq trading at Chicago-based market maker EVEREN Securities. "Things are happening so much faster than they ever did. Nasdaq itself can't handle the influx of orders and make sure the markets are set up appropriately."

Some traders also blame wholesale market makers, the main recipients of online order flow, with causing the increase in locked markets, particularly with trading in new issues.

For example, a market maker with a large volume of retail buy orders - particularly before the market opens - may note that the best offer in the market is for fewer shares than it needs to buy to fill those orders. So to move the market and fill its orders, the market maker may enter a bid at or higher than the current best offer to lock the market, hoping to get other market makers to adjust their quotes.

"Wholesalers jack-up their prices at the opening, then short the stock before the prices retreat to regular levels," said Michael Barone, head of Nasdaq trading at William Blair & Co., a full-service broker and investment bank in Chicago. "It happens every day in dozens of stocks. It's a problem that needs to be looked at."

Nasdaq's leading wholesaler, Knight Securities, a unit of Jersey City-based Knight/Trimark Group, has been cited by some traders for frequently locking the market.

But Kenneth Pasternak, Knight/ Trimark's president and chief executive, blames increased volume and technology disconnects - and not wholesalers - with locking the markets.

"There is a real pricing imbalance," Pasternak said. "There should be balanced supply and demand in the market. But online investors move on news, and they come into the market in a narrow time frame all wanting to trade in the same direction."

He added that some broker dealers are trying to respond to the large flow of online orders in a non-automated fashion, which can cause locks in the market. "I'm an advocate of electronic order delivery," Pasternak said. "Integrated delivery and execution could make a lot of locks irrelevant."

Traders also blame the reluctance of certain market makers to talk to each other over the

telephone - a result of U.S. Department of Justice investigations two years ago - as contributing to locked and crossed markets.

"It's hard if not impossible to get another market maker on the telephone," Ponzio of Hill, Thompson, Magid said. "With a crossed market, you're dealing with a firm inundated with orders. You need to talk to them to help find a good price."

Fee Battles

Knight/Trimark is also in the middle of the controversy surrounding ECN access fees, with certain market makers refusing to pay those fees.

This month, the Jersey City-based wholesaler, which has refused to pay fees for accessing quotes on Attain, the ECN operated by All-Tech Investment Group, is scheduled to contest charges at an NASD arbitration hearing.

All Securities and Exchange Commission-approved ECNs are allowed to charge fees to firms accessing quotes in that ECN. But some market makers - who are not allowed to charge fees when their quotes are accessed - have refused to pay those fees. ECNs, in turn, are not trading with firms that have failed to pay access fees.

"The ECNs are telling us we have to be their customers to trade with them," said Marsh of Adams, Harkness & Hill. "The SEC should make ECNs trade with anybody. I don't charge a fee to hit my bid. Why do I have to pay a fee when I hit someone else's bid?"

When an ECN at the inside market refuses to fill a market maker's order, the market maker is forced to short the stock and change its quote to fill its customer's order. Shorting the stock without being able to find the shares at the appropriate price in the marketplace locks the market.

"When I can't buy it at the ECN price, I can't penalize my clients for that," Barone said. "So I have to lock the market to fill that order."

Pasternak said ECNs that refuse to trade with certain market makers may be shirking best-execution responsibilities by not acknowledging the other side of a trade.

"All liquidity providers that display quotes should not be allowed to charge other liquidity providers access fees," he added. "Absent that, there is a real disparity between ECNs charging fees and market makers not being allowed to charge fees."

But Harvey Houtkin, chairman and chief executive of All-Tech, said regardless of whether a market maker approves of ECN access fees or not, they are required by law to pay them.

"It's a disgrace that certain market makers are not paying fees," Houtkin added. "I want these people cited for not paying their bills. It rings of scandal. We are approved by the SEC. They knew we charged access fees when the traded with us. When they refuse to pay, it's the same as shoplifting. It's theft of services."

Houtkin said that about 30 broker dealers, including Knight/Trimark, are withholding payments for accessing Attain quotes.

Unlocking Markets

The NASD's recent agency-quote proposal, currently awaiting SEC approval, could alleviate many of the problems associated with ECN access fees. The proposal would allow market makers a second quote, separate from their proprietary quote, for agency orders. Market makers would be allowed to charge fees for firms accessing their agency quotes.

"The agency-quote proposal recognizes the problem, and attempts to deal with it," Pasternak said. "It recognizes the need for a frictionless market."

Also awaiting SEC review is an NASD proposal for a one-year pilot program that would require a firm locking or crossing the market between 9:20 a.m. and 9:30 a.m. to send a message via SelectNet to the firm whose quotes are being locked or crossed.

The message recipient would then have to trade with the message sender for up to 5,000 shares, or move its quote within 30 seconds of receiving the message.

Tied to the one-year pilot program is a third NASD proposal that would require market makers to lower their quotes whenever they fail to execute a large order. They would also be prohibited from using an electronic system to repeatedly execute small orders at the same price, while the large order goes unfilled.

Aside from the three pending proposals, the NASD can also fine firms up to $15,000 for locking or crossing the markets. By checking SelectNet messages, the NASD will fine a market maker for locking or crossing a market only if that market maker did not first try to find the other side of the trade.

But many traders feel the NASD and the SEC should do more to decrease the occurrence of locked markets.

"I'm surprised the NASD and the SEC have not resolved the issue by now," Barone said. "This is a sophisticated marketplace. It's interesting that it's still a problem."

A spokesman for the NASD said it hoped the new proposals would alleviate many of the problems causing locked Nasdaq markets. Beyond those three measures, the spokesman stressed that market participants can offer any additional ideas through Nasdaq's industry committees.

An SEC spokesman said the agency recognizes the problems of locked markets on Nasdaq, but maintained that it is primarily the NASD's issue. "We are currently working with the NASD on the underlying issues as they relate to locked and crossed markets," the SEC spokesman added.

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PR Newswire • 12/11/98

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For more information about the NASD and its subsidiaries, please visit the following Web sites: http://www.nasd.com; http://www.nasdaq-amex.com; http://www.nasdr.com; or the Nasdaq-Amex Newsroom(SM) at http://www.nasdaq-amexnews.com.

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